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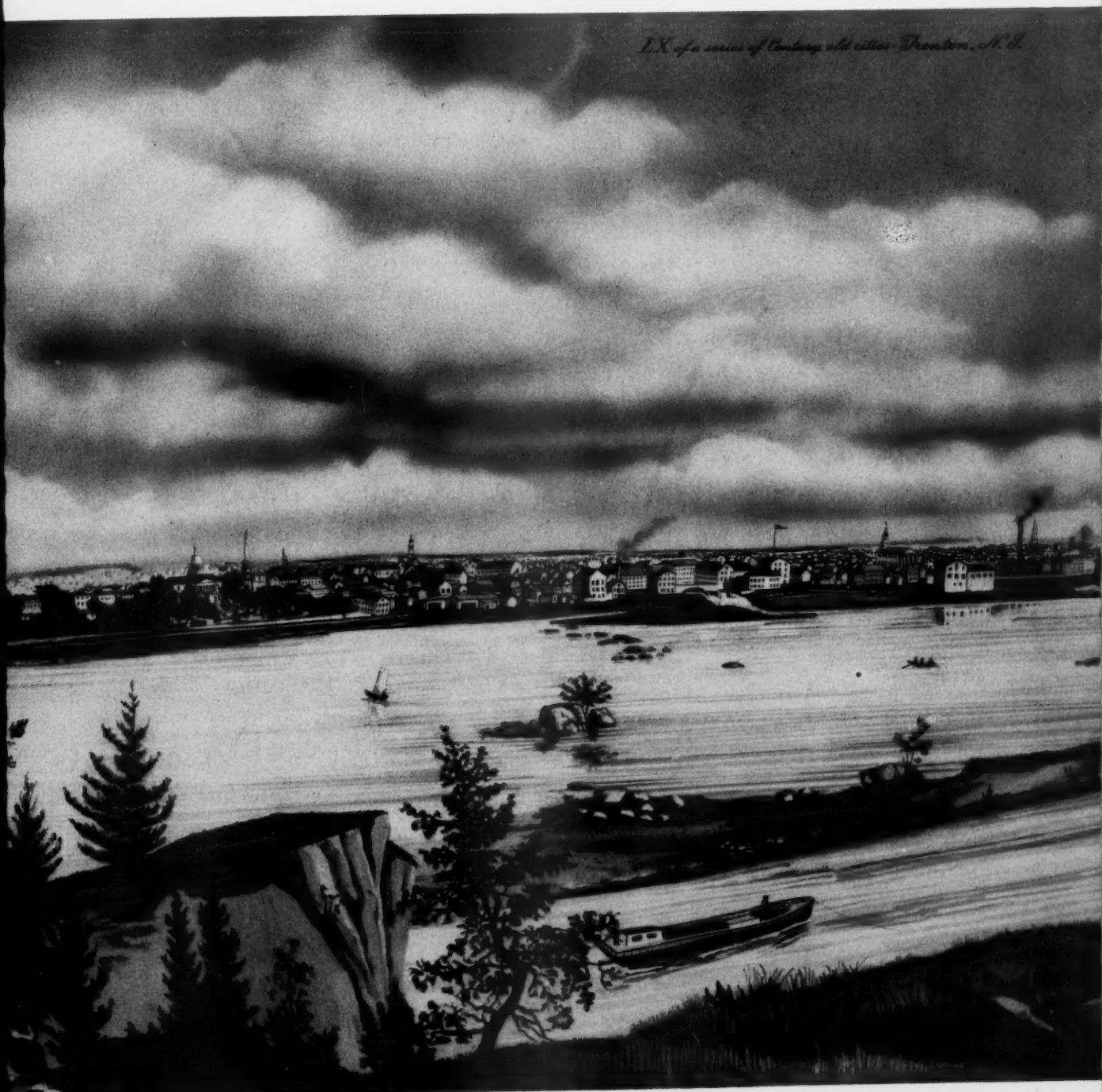
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January 1942



This Month's Cover **TRENTON, NEW JERSEY**

Washington crossed the Delaware Christmas night, 1776, eight miles above Trenton. The dramatic crossing and the glorious victory over the Hessians at Trenton the next day have placed the city deep down in the hearts of Americans. In 1680 at this spot on the east bank of the Delaware River 30 miles northeast of Philadelphia, Mahlon Stacy built a mill and the place was called Stacy's Mills. In five years a settlement had grown up around it. Stacy sold his property to William Trent (later Chief Justice of New Jersey) in 1714, and the village came to be known as Trent-town, later Trenton. It was incorporated as a borough by royal charter in 1745. Citizens surrendered this privilege in 1750, believing it "prejudicial to the . . . trade of the community." New Jersey's delegates in Congress in 1783 proposed Trenton for the seat of Federal Government and Congress did meet here in 1784. Becoming the State capital in 1790, Trenton was chartered as a city in 1792. . . . The print reproduced for the cover of "Dun's Review" shows Trenton as viewed from Morrisville, Pa., across the Delaware. It was drawn between 1851 and 1854 by E. Whitefield and lithographed by Wm. Endicott & Co., New York City. From the Phelps Stokes Collection, it is reproduced through the courtesy of the New York Public Library. . . . Population is 124,697. Trenton's 255 manufacturers produced goods valued at \$83,959,940 in 1939. That year 189 wholesalers shared \$36,352,000 and 2,342 retail stores, \$65,377,000. The 934 service firms took in \$4,462,000. Famed for its pottery, Trenton is well known for wire and steel cable, rubber products, clay, and woolen goods.



HOBART PHOTO

DUN'S REVIEW



January, 1942

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1942—The Critical Year

*I*T is hard to say anything about the war which has not been covered over and over again by the best critics in the world.

But as these commentators have totally different opinions about everything, I am going to point out a few actual facts and get away from the rumors which we constantly hear.

In reviewing histories of Germany and Japan, and the events surrounding the war of 1914-18, one point, which may or may not be significant, stands out.

In modern times neither Germany nor Japan has won a prolonged war.

In the 1860's-70 Germany defeated Denmark, Austria and France one after the other by planning every detail of each campaign and by winning decisive battles within a few weeks after the beginning of each war. Japan defeated China in 1894-5 and Russia in 1904-5 in the same way.

Then Germany lost the first world war by failing to defeat the French decisively in the opening attack in 1914. That war lasted four years.

And Japan had been fighting China for four years and had reached a stalemate before attacking us at Pearl Harbor.

The results of the 1914-18 war might have been different if Germany—

(a) had followed through the wide break in the British lines and had captured Calais and the Channel Ports in 1916 when poison gas was first used, or

(b) had taken advantage of the cracking of the Allied lines when the contact between the British and French was cut at Amiens in 1918.

By attempting to provide for every detail in advance the Germans have as yet not shown the flexibility which is required to take advantage of unexpected opportunities which arise.

England and France made almost fatal miscalculations before this war both as to the fact that there would be a war at the time it occurred, and as to the type of war which it turned out to be, but Hitler has made grave mistakes which have offset the shortsightedness of the Allies since this war started—

1st—in over-estimating the strength of France and by not being ready to take advantage of the defeat of the French to invade England when practically unarmed immediately after Dunkirk, and

2nd—in under-estimating the strength of Russia as evidenced by the fact that the German Army is totally unprepared to withstand the intense cold of the Russian winter.

These two errors of judgment have deprived Hitler of invaluable advantages which Germany held at the beginning of the war—

1st—he has exposed his new technique in warfare to the Allies, and then has given them time to equip and train their forces to meet him at his own game,

2nd—he has lost the headstart which he had over the Allies in accumulating immense quantities of munitions and millions of fully trained troops which he had available in 1939,

3rd—he has lost the confidence of his own people by making promises which he could not carry out.

He told them positively after the fall of France that the British Isles would be conquered in 1940. In August 1941, he announced that Russia had already been defeated and was no longer a military factor in the war.

Our Relative Position

On December 8th, 1941, we entered the war against Japan and a few days later against Germany and Italy. On April 7th, 1917, we were at war with Germany, Austria and Turkey and had England, France and Italy on our side, with Japan as a dormant Ally, and Russia was on the verge of collapse.

Germany had then a clear road from the North Sea through the Balkans to Asia Minor. Now in Europe, Russia on the offensive takes the place of our former Allies, France and Italy, and small Balkan States are substituted for relatively strong Austria as an enemy in the war of 1914-18.

Germany, Japan and Italy have probably reached the peak of their productive capacity, with the help of the subjugated countries in Europe, while Great Britain and the United States have not even approached their peak. Their present rate of production of essential munitions now equals or exceeds that of the Axis Powers.

We know that Japan was unable to defeat China after four years of war. We know that materials and weapons of every description are now consumed in the active campaigns three times as fast as in the war of 1914-18, and that the materials from which armament is made are consumed in quantities never before remotely approached.

We know that every weapon, excepting aircraft, in modern warfare is made of 90% steel, and that steel, and particularly special treatment steel, is the basic metal on which ultimate victory hinges, and we further know that the Axis and subjugated countries have a capacity to produce only 60,000,000 ingot tons a year against 108,000,000 tons at the disposal of the United States and the British Empire, without consideration of the 21,000,000 tons of Russian capacity, as a large percentage of that capacity is not available because of the German occupation.

We have every reason to believe that both Germany and Japan have not adequate supplies of oil, and that Japan must obtain petroleum from the Dutch East Indies, and that Germany must acquire oil from Russia or Asia Minor if the war is to continue more than two years, because the rate of the use of oil in the present war is as four to one in the last war, and the storage facilities for the amount required for a long war under these conditions could not be available and have been concealed in any country.

If Hitler could not defeat England when England was fighting alone in the fall of 1940, or in the spring of 1941, and if he could not defeat Russia by using his full strength during the summer and fall of 1941, why is it reasonable to think that he will now, in a weakened condition, be able to defeat Russia even though Russia has suffered tremendous losses, when the British Empire has had three years, with the help of America, to train man-power and produce munitions to match or excel the quality or quantity of the German output.

The Japanese have now aggressively attacked the Allies in the Pacific and diverting a percentage of their military strength from the Chinese front are making substantial gains for the time being largely because this country and the British Empire were not adequately prepared for the attack, even though the Dutch East Indies had strengthened their position to the limited extent possible.

Conclusions

1—There is no doubt but that the entry of the United States into the war has had a decidedly adverse effect on the morale of the German people as Hitler had assured them that the United States would not fight—and 1918 has not been forgotten.

2—The world at large now knows that the German Army is no longer invincible, which has already had an important bearing on the conduct of neutrals and the people of the occupied countries.

3—Hitler is no longer credited with uncanny, infallible foresight because of his failure to foresee the collapse of France and the strength of the resistance of Russia.

4—It may be demonstrated before 1942 is over that neither Hitler nor the Japanese have accurately calculated the material requirements absolutely essential to carry on an aggressive offensive under existing war conditions.

5—The German people, who have been deprived of everything but necessities for the past eight years to provide for the building of the Army, Air Force and Navy, may be approaching the point where the sacrifices which will be required to continue the war will become unbearable as the number of casualties and the privations imposed upon them get even worse.

6—The state of mind of the German people may abruptly and radically change when they are convinced that they cannot win, and when they weigh in the balance the penalties of peace against those of continuing the war. For at some future date it will dawn upon them that longer resistance will only make the conditions of peace far more severe, irrespective of what they may surmise they would be now.

7—Those forces, combined with doubt about their leadership excepting with the most fanatical, will work day after day to weaken the German civilian and military position.

Every sign indicates that Hitler had planned for a short war and on the basis of the velocity of this war, the material losses have unquestionably already more than equalled those of the world war.

While the factors enumerated are encouraging, there is no question on earth but that within a short time or early in the summer at the latest, Hitler will make an all-out offensive against Russia, Asia Minor, North Africa or England—possibly against more than one at the same time—which will probably be more concentrated, backed by greater mechanized forces than any offensive which has yet been known.

Those days to come will be the crisis of this war and it seems reasonable to expect that the attack will be concentrated and made through Asia Minor and north of the Black Sea, with the ultimate objective of joining forces with Japan, moving from the Far East.

Every possible resource available to the Allies will be required to defeat that offensive.

Every ounce of energy and ingenuity of the American people must and will be exerted to produce the ships, the planes, the tanks, the guns and the munitions essential to defeat whatever attacks Hitler may plan.

The new set-up in Washington guarantees the most efficient organization and management of production which could possibly be obtained, and the output of this country in men and materials will assure the decisive defeat of the Axis Powers, even though the final victory may be deferred until 1943.

The people of this country have never faced as critical a test of their fibre, their morale, their stamina and their courage as they will in 1942.

January 1942


PRESIDENT, DUN & BRADSTREET, INC.

FINANCIAL MANAGEMENT PROBLEMS in a WAR ECONOMY ☆ ☆ ☆



ARMY MEN AND ARMY MOTORCYCLE MOTORS—FREE LANCE PHOTOGRAPHERS GUILD PHOTO

ROY A. FOULKE

Manager, Specialized Report Department
DUN & BRADSTREET, INC.

War production presents many problems, not the simplest of which are ways and means of financing it. This study concerns the three ways of financing war plant expansion and the four ways of financing war production. It also investigates broad financial effects of the war on some industries, as well as pointing to cases where insufficient attention to detail led to pitfalls.

ON May 28, 1940, President Roosevelt took his first official step toward increasing materially the armed forces of our country by appointing a seven-member Advisory Commission to the Council for National Defense. It became the immediate task of this Commission to prepare the planning blue-prints, and simultaneously to gear American industry to an all-time high emergency speed so that adequate materials, supplies, and equipment would become available as rapidly as possible to produce the greatest stream of airplanes, ships, tanks, guns, ammunition, and essential supplementary war supplies in all history.

A total of \$825,000,000 in army and navy contracts was awarded during the following single month of June and \$1,137,000,000 during July, 1940. The total authorized appropriations for our own defense and for foreign aid reached the stupendous total of \$74,440,000,000 by December, 1941. Large figures are hard to digest. It is evident, however, that the economic drain of World War II is tremendous, and that the drain will be translated into everyday life by a lower standard of living for many, many years.

The defense program took resolute and definite form as soon as the Advisory Commission to the Council for

National Defense was appointed. The Selective Service Act was enacted by Congress. Objectives were set for a two-million-man army, a two-ocean navy, and a tremendously expanded air force. Contracts for preparing army cantonments were awarded. Clothing, shoes, tents, and food, as well as the complete fighting equipment for all arms of the service had to be procured for our growing armed forces and also stored for future emergencies.

On December 29, 1940, the President set an even greater goal for our defense program when he declared, "We must be the great arsenal of democracy." The country was warned to "discard the notion of 'business as usual,'" and since that time, the day-to-day problems of production, of finance, and of credit have multiplied and multiplied in an ever more intensified defense, and then war economy.

The Office of Production Management was created in January, 1941. The Office of Price Administration and Civilian Supply was created in April, 1941. Last August the President established the Supply, Priorities and Allocations Board. January 13 the President appointed Donald Nelson chairman of the War Production Board which will be granted powers previously exercised by the Supply, Priorities and Allocations Board. Mr. Nelson will direct the production program and supervise all production agencies.

In his annual message on the state of the Union January 6, 1942, President Roosevelt outlined "a hard war, a long war, a bloody war, a costly war," calling for the expenditure of \$56,000,000,000, more than half the national income, during the fiscal year beginning July 1. The program calls for hitting the enemy at any world point he can be reached.

As soon as contracts were awarded in steadily mounting quantities for airplanes, ships, tanks, guns, ammunition, shoes, shirts, underwear, supplementary equipment and supplies, basic financial problems were created automatically for the American manufacturer. These

problems were concerned with methods of financing the erection and the equipping of new and enlarged manufacturing plants to meet the sudden overnight expansion in defense contracts, and with fulfilling the working capital financial requirements to handle the increasing volume of business. After years of business drought, industry was suddenly swamped with orders. No hypodermic ever worked faster.

The airplane industry most strikingly illustrates this unprecedented situation. Prior to June, 1940, American manufacturing plants had produced

relatively few military airplanes. Because war had turned so strategically to the air, attention was riveted immediately on aircraft production. On July 1, 1940, the army and navy had about 5,200 airplanes in service. By July 27, an additional 5,974 planes were on order with 80 per cent scheduled for delivery within one year. Four months later 25,000 were on order. By August, 1941, the unfilled orders for planes amounted to the fantastic total of \$7,140,575,000 and the orders were still headed skyward. The steady piling up of these tremendous contracts called for

"WHAT WOULD YOUR DOLLAR BE WORTH WITHOUT HER?" by R. J. Bieger in the St. Louis Globe Democrat is one of four World War I cartoons reproduced here through the courtesy of E. P. Dutton & Co. While this war raises new questions this cartoon could well serve again.



[11]

THREE WAYS OF FINANCING WAR PLANT EXPANSION

PRIVATE SOURCES (CERTIFICATES OF NECESSITY)

In the early months this traditional method of financing was widely resorted to by many manufacturers obtaining essential contracts. Funds were taken out of their own resources, or provided by short-term or long-term borrowings. As need for more and more plant capacity grew, and speed became more imperative, many manufacturers now turned to one or both of two newly developed mediums of financial aid.

EMERGENCY PLANT FACILITIES CONTRACT

Under this contract, full costs of constructing emergency plant facilities theoretically continue to be provided initially by the private resources of the manufacturer. However, the manufacturer is completely reimbursed with cash for these expenditures including, during the construction period, interest on borrowed money. Reimbursement comes directly from the Federal Government in 60 equal monthly installments over a period of five years. The text lists six of the more important terms of this contract.

DEFENSE PLANT CORPORATION

Among its extensive powers this corporation fully supplies funds to build, expand, and equip plant facilities essential to the war program, and in the process it is not necessary for the manufacturer to incur any liability directly or indirectly. The corporation pays for construction as the work progresses. Upon completion the manufacturer operates the facilities on a five-year lease. This agency has become the most important unit in the construction of emergency plant facilities. It is used to a far greater extent than the private resources of manufacturers or the Emergency Plant Facilities Contract.

an immediate and unprecedented rapid expansion in manufacturing facilities.

A typical airplane manufacturing corporation, for example, on December 31, 1938, had a tangible net worth of \$1,500,000, a net working capital of \$1,000,000, an inventory of \$1,000,000, receivables of \$300,000, and an efficient but small plant valued at \$400,000. An annual volume of \$4,500,000 was being handled and unfilled orders on hand amounted to \$1,500,000. By December 31, 1940, unfilled governmental orders of this one modest manufacturer had skyrocketed to \$60,000,000. The tangible net worth on that date had been increased from retained net profits and the sale of capital stock to \$3,000,000, the net working capital had grown to \$1,500,000, the inventory including work in process had expanded to \$4,200,000, the receivables had increased

to \$600,000, and the enlarged plant facilities were now being carried on the books at \$1,600,000.

Within two years the tangible net worth had doubled, the net working capital had increased 50 per cent, the inventory had more than quadrupled, the receivables had expanded 100 per cent, the plant facilities had quadrupled and arrangements were being made for additional expansion, and unfilled orders had advanced 40 fold.

No such spontaneous expansion had ever previously taken place in any division of industry in the history of our country or of any other country even during the mirage decade. This example is no current isolated incident. Today most of the manufacturers of airplanes and many of the manufacturers of airplane parts and accessories are actually going through this iden-

tical stage of almost instantaneous metamorphosis from relatively small business to big business. The early life history of the automobile industry is being re-lived in the airplane industry, but this unfolding biography is being compressed before our very eyes into a critical period measured by months.

The radical change in the financial condition of this particular manufacturer of airplanes between December 31, 1938, and December 31, 1940, was only the beginning of a trend which will continue with individual business enterprises just as long as our war production spirals rapidly upward. More manufacturing plants and larger manufacturing plants are absolutely essential to obtain the increased production; inventories of raw materials, work in process, and finished products will expand steadily as the enlarged production facilities are put to work; and when the finished products are turned over to the army and to the navy, the receivables will increase.

Time is the essence of success in this greatest of all American war efforts. Ways must be found and corners must be turned to fulfill these tremendous contracts in the shortest possible time. This is our all-out objective and the transition period is far from over.

Encounter Similar Difficulties

Manufacturers of tanks, anti-aircraft guns, shoes, shirts, canvas bags, and the thousands of other products required by the army and the navy, are encountering similar problems, but in a modified way compared with the typical manufacturer of airplanes, parts, and accessories. In some cases new plants must be erected, in other cases existing plants must be enlarged. In some cases a manufacturing concern with limited current assets and a modest line of bank credit obtains a relatively large order for war equipment and supplies. Here the demand for cash to meet everyday expenses becomes suddenly and disproportionately heavy. What sources of funds are available to meet the expanded payroll, to purchase the necessary

raw material requirements, to carry the increased inventories and the larger receivables?

Sub-contractors have identical financial problems and, at times, have supplementary problems equally fundamental. Army and navy authorities often seek the larger manufacturing corporations and insist that prime contracts be accepted. Only in most unusual instances have sub-contractors, particularly small concerns not widely known, found Federal authorities knocking at their front doors.

Not only has the typical small potential sub-contractor had to locate the proper official, but when located, the official, at times, has had to be educated and to be sold that a particular small plant had produced certain specific parts, articles, supplies, or equipment of great importance in a war economy, and that the same plant was equipped to produce other essential items needed in some war-time assembly line, items which had never before been turned out at this particular plant. These handicaps have been and are still severe to the potential small sub-contractor whether located in eastern Massachusetts or in western California.

This unprecedented industrial expansion program is the harvest of the greatest world-wide military crisis since Napoleon. Three broad financial and credit problems are the immediate results:

1. The problem of the war manufacturer financing the erection and the equipping of requisite increased plant facilities to fulfill contracts on schedule.
2. The problem of meeting increased payrolls and of financing suddenly swollen inventories and receivables.
3. The problem of the mercantile creditor in considering the extension of credit to concerns appreciably affected directly or indirectly by the war program. Such concerns include not only those which have obtained war orders but many others not engaged in producing defense or war equipment and supplies.

The erection of essential new plants

FOUR WAYS OF FINANCING WAR PRODUCTION

COMMERCIAL BANKING INSTITUTIONS

In war economy, financing problems arise not easily solved by traditional commercial methods. The financial condition of some manufacturers is inadequate to support an open line of bank credit. The Assignment of Claims Act of 1940 permits payments from the Federal Government to be made directly to the bank or other assignee upon satisfactory fulfillment of the contract requirements by the manufacturer. As a result of this law, a manufacturer who has a substantial amount due from the Government has a valuable asset which may be offered to a banker as security for a loan.

FEDERAL RESERVE BANKS

Congress, June 19, 1934, authorized Federal Reserve Banks to loan directly to established business enterprises for working capital purposes. Consequently these banks stand ready to grant loans to finance war production where such loans cannot be obtained from commercial sources. Requests for such loans have been very limited.

RECONSTRUCTION FINANCE CORPORATION

On June 12, 1940, Congress empowered this corporation to grant loans to corporations to aid in war production. This agency appears to be handling a much larger proportion of the working capital financial requirements on war contracts than the twelve Federal Reserve Banks.

ADVANCES FROM FEDERAL GOVERNMENT

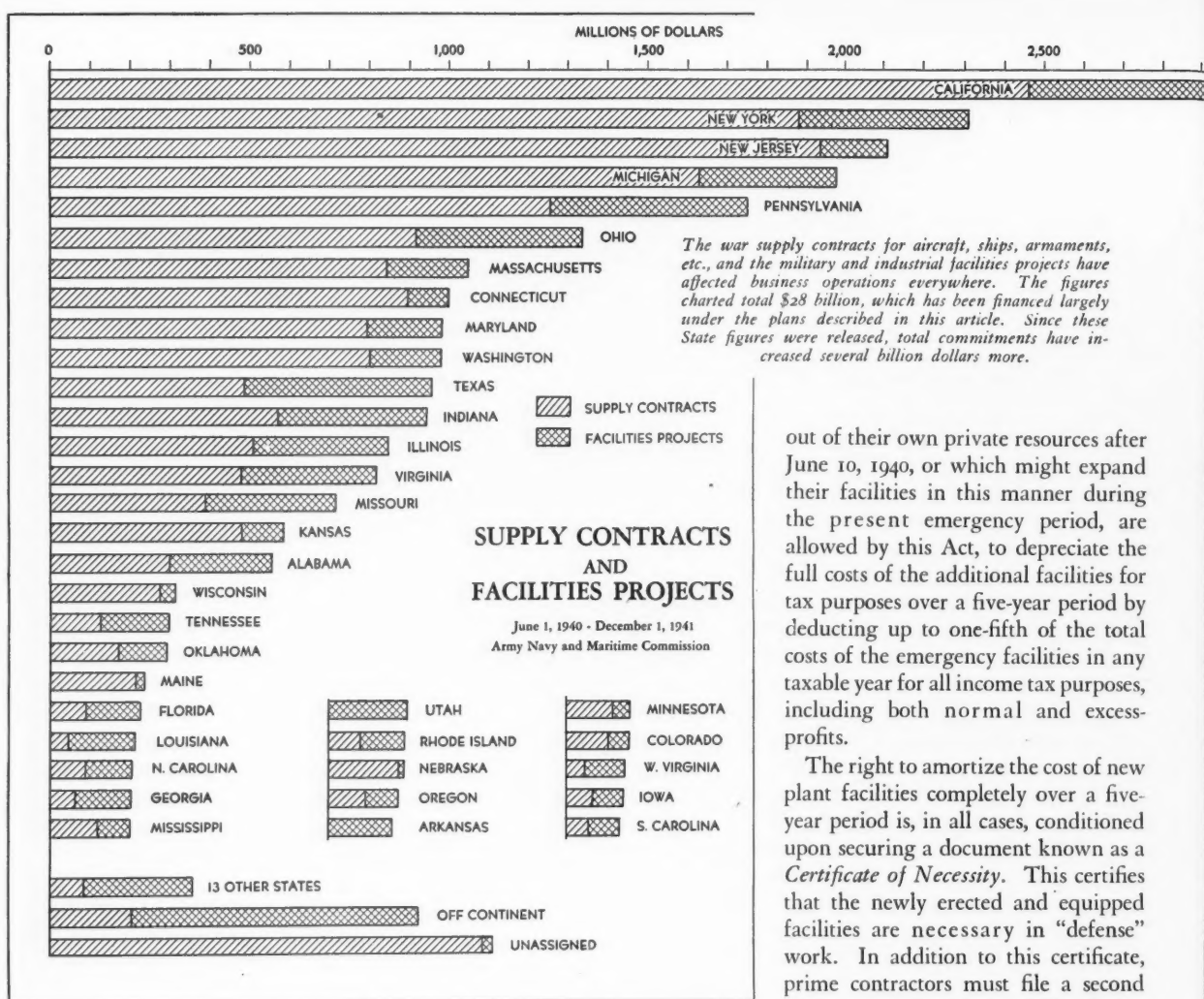
The volume of emergency orders obtained by many manufacturers with light or inadequate net working capital called for greater financial assistance than could be readily obtained even by the Assignment of Claims Act, or from partial or progress payments. The Federal Government therefore in June, 1940, authorized advance payments up to 30 per cent on army and navy prime contracts. Since then these cash advances have provided the actual sinews of war for many producers of war equipment and supplies.

and additions to old plants by manufacturers that have been awarded contracts for war equipment or supplies are being financed in three different ways: by the private resources of the manufacturer which might or might not involve short-term bank loans in the normal course of business; by the use of an arrangement which has become known as the Emergency Plant Facilities Contract, and by the Defense Plant Corporation, a direct wholly-owned subsidiary of the Reconstruction Finance Corporation and as such an agency of the Federal Government.

Private Resources—Under more normal conditions, when even large in-

dustrials have had to go actively after business, new plants have customarily been built and old plants have been enlarged out of the private resources of the manufacturer. This method of financing plant expansion might or might not have been supported by short-term and long-term borrowings.

If the required funds came out of the resources of the manufacturing enterprise, the net working capital would have been decreased a corresponding amount. If the funds had been provided by short-term borrowings, the extension of that credit would generally have been accorded by a commercial banking institution, occasionally by



The war supply contracts for aircraft, ships, armaments, etc., and the military and industrial facilities projects have affected business operations everywhere. The figures charted total \$28 billion, which has been financed largely under the plans described in this article. Since these State figures were released, total commitments have increased several billion dollars more.

out of their own private resources after June 10, 1940, or which might expand their facilities in this manner during the present emergency period, are allowed by this Act, to depreciate the full costs of the additional facilities for tax purposes over a five-year period by deducting up to one-fifth of the total costs of the emergency facilities in any taxable year for all income tax purposes, including both normal and excess-profits.

The right to amortize the cost of new plant facilities completely over a five-year period is, in all cases, conditioned upon securing a document known as a *Certificate of Necessity*. This certifies that the newly erected and equipped facilities are necessary in "defense" work. In addition to this certificate, prime contractors must file a second document, a *Certificate of Non-Reimbursement*, which certifies that the manufacturer is not and will not be reimbursed by the Government for the cost of these facilities. Sub-contractors, sub-manufacturers or sub-builders are required to file *Certificates of Necessity* but not *Certificates of Non-Reimbursement*.

Until October 30, 1941, both these certificates required the signature of the Advisory Commission to the Council for National Defense and the signature of either the Secretary of War or the Secretary of the Navy. On October 30, 1941, the President signed a bill liberalizing and simplifying this tax amortization law by requiring only the

some other business enterprise, by an affiliated concern, or by an interested individual. If the funds had been provided by long-term borrowings and so reimbursed the net working capital, the credit instrument might have represented a term loan from one or more commercial banking institutions and insurance companies, a mortgage loan granted by an insurance company or some other business enterprise, or an issue of bonds, debentures, or serial notes underwritten by a group of investment bankers and distributed to the public. In all these situations, title to the real estate, buildings, and equip-

ment which comprised the new plant or the addition, would have been carried in the name of the manufacturing enterprise and there would have been no wandering from the customary beam.

These methods, so imbedded in our American economic history, were widely and very naturally used in the early months of this emergency. Certain easements to assist these methods of financing defense and war plant expansion were taken into consideration in the *Second Revenue Act of 1940*.

Concerns which had expanded their manufacturing facilities for this work

certification of the Secretary of War or the Secretary of the Navy.

Moreover, a *Certificate of Non-Reimbursement* no longer is required if amounts involved are less than \$15,000. Such additional facilities are defined as "any facility, land, building, machinery

dent proclaims that utilization of a substantial portion of the emergency facilities . . . is no longer required in the interest of National Defense."

As more and more contracts were awarded, as speed in the completion of contracts was heralded as an absolute

gram which needed rapid readjustment upward. With this acceleration in the need for still more and then even more plant capacity, many of the manufacturers that had initially financed their expansion with their own private resources, now turned to one or both of two newly developed mediums of financial assistance, the Emergency Plant Facilities Contract and the Defense Plant Corporation.

In those cases where the net working capital of an industrial concern was too limited to stand the increasing strain of financing its own plant expansion, private resources could not be used. In other cases where the net working capital was adequate and the funds were available from private resources, some managements were reluctant to overbalance their financial condition with excessive fixed assets and heavy charges on borrowed funds, a situation which might become critical at the end of the present emergency. One lesson which American industrialists learned from the first World War was not to own excessive plant capacity in an inflated war economy, a condition which could become financially dangerous under more normal conditions of peace.

Emergency Plant Facilities Contract—This method was initially approved by the Assistant Secretary of War on July 12, 1940. Since then it has been revised in minor respects. Under this method, the full costs of constructing emergency plant facilities theoretically continue to be provided initially by the private resources of the manufacturer. At this point, arrangements exist for the manufacturer to be reimbursed completely with cash for these expenditures, including interest on borrowed money during the construction period. The reimbursement comes directly from the Federal Government in 60 equal monthly installments over a period of five years.

Because of this absolute guarantee of reimbursement by the Federal Government, the manufacturer may, and in a large percentage of cases has borrowed the necessary funds from a



"WAR SAVINGS STAMPS WILL BUY SHELLS," by Oscar Cesare for the National War Savings Committee. This cartoon was timed with President Wilson's appeal for funds in 1917. He said "the practice of individual thrift is a patriotic duty and necessity."

or equipment, or part thereof," necessary in the interest of national defense. The emergency period is defined as the "period beginning June 10, 1940, and ending on the date on which the Presi-

necessity, and as pressure along with unfilled orders piled up, it became apparent that the original program for emergency plant expansion, in many cases, was only the prelude to a pro-

depository bank or some other financial institution, and assigned its claims against the Federal Government under the Emergency Plant Facilities Contract as security for the loan. The legal right to assign such payments from the Federal Government to others was provided by the *Assignment of Claims Act of 1940*, to be explained later. The more important basic terms of an Emergency Plant Facilities Contract follows:

1. The concern entering into the contract furnishes the labor, machinery, tools, facilities, supplies, and services, necessary for the construction of the new manufacturing facilities according to specifications.

2. The title to all such "Emergency Plant Facilities" is held by the concern entering into the contract during the full period of the construction and until after the termination of the contract.

3. The Federal Government reimburses the concern entering into the contract for the cost of such "Emergency Plant Facilities" in 60 equal installments on the last day of each of 60 consecutive months, beginning with the first calendar month following the completion of the facilities.

4. If after 90 days from the termination of the contract a fair cost value is not agreed upon, the concern entering into the contract must transfer the "Emergency Plant Facilities," unencumbered, to the Federal Government. The Federal Government agrees not to sell or to lease these properties without giving the concern entering into the contract a reasonable opportunity to buy or to lease them at the same price proposed to any other business enterprise.

5. Upon termination, the concern entering into the contract may retain title to these facilities by paying the cost price to the Federal Government, less an amount including depreciation, obsolescence, and the loss of value owing to use for National Defense purposes from the date of completion or acquisition of such facilities to the date of notice of termination of the contract.

6. Provisions for the protection of the

concern entering into the contract are included in case the contract is terminated by the Federal Government before the date of expiration.

At the present time, the Ford Motor Company is erecting and equipping a plant at River Rouge, Mich., for the construction of Pratt and Whitney aircraft engines costing about \$30,000,000 in accordance with an Emergency Plant Facilities Contract. These funds are being furnished entirely from the resources of the Ford Motor Company which will be repaid in 60 equal monthly installments by the Government.

How It Works

Under the operations of Emergency Plant Facilities Contracts, the net working capital of the manufacturer is decreased if the construction of the new facilities, as in the case of the Ford Motor Company, is financed from beginning to end by the manufacturer. The net working capital, however, will be maintained if financing is accomplished by means of term bank loans which usually are secured by the assignment of amounts due from the Federal Government under the contract. In either event, the cost of construction is paid off gradually by the Federal Government according to the provisions of the contract.

By this newly developed process of financing, banking institutions are enabled to make sound loans, and plant facilities are rapidly erected during the present emergency. The manufacturer may acquire the facilities if desirable when the emergency is over, and the basic financial condition of the manufacturing concern does not become overbalanced with excessive fixed assets.

At the time of the original negotiations with the Federal authorities for the erection of emergency facilities, an option price is determined as outlined in the fifth of the aforementioned points, cost less depreciation at predetermined rates, less obsolescence and loss of value owing to use for defense purposes, at which the manufacturer may repurchase the facilities at the end

of the sixty-month period. When all installments have been paid in accordance with the Emergency Plant Facilities Contract at the end of the five-year period, the Federal Government acquires title to the plant facilities, unless the concern which is using the plant should purchase the property at the option price or at a lower renegotiated price.

If the manufacturer does not acquire the facilities at the end of the emergency, the Federal Government may sell or lease the plant to some other enterprise, go into industrial activity itself or through some agency, or allow the plant to depreciate through disuse. Whether the Federal Government will or will not engage in many additional forms of manufacturing activity itself or through governmental agencies, will be one of the basic problems of politics and of economy after the immediate emergency has passed.

By March 31, 1941, outstanding commitments under Emergency Plant Facilities Contracts including some plants already completed, some in process of erection, and some on which work had not begun, aggregated \$158,160,000. Seven months later, on October 31, 1941, these commitments had reached \$298,052,000. What additional expansion has since taken place in this unique method of financing the erection of plant facilities has not reached the interested ears of the business world.

As of April 30, 1941, the Board of Governors of the Federal Reserve System in co-operation with the Office of Production Management made a survey of outstanding defense loans and commitments accorded by commercial banks and trust companies in 101 leading cities. The banking institutions located in these particular cities accounted for almost all the "defense" lending in our banking system at that time. This interesting survey disclosed outstanding bank loans to finance plant facilities of \$142,000,000 or about one-third of all outstanding "defense" loans of these particular banking institutions. Aggregate commitments for the same

purpose amounted to \$266,000,000 or about 40 per cent of the total commitments for all "defense" purposes. These loans and commitments included unsecured lines of bank credit as well as lines secured by the assignment of payments from the Federal Government under Emergency Plant Facilities Contracts.

Plant facility loans and commitments up to April 30, 1941, had been obtained largely by the aircraft and shipbuilding industries. No complete classification of defense loans by type was made in this survey, but it was reported that about 35 per cent of the dollar volume of plant facilities loans, or about \$50,000,000, had been made against amounts due from the Federal Government in accordance with Emergency Plant Facilities Contracts.

As of June 30, 1941, the American Bankers Association sent questionnaires to 506 of the largest commercial banking institutions in the country for somewhat similar information regarding outstanding loans and commitments for defense activity. Thirty-five banks reported no defense loans and 102 banks failed to reply. The remaining 369 located in 142 cities, reported aggregate outstanding commitments with and without security to finance plant facilities of \$513,000,000.

A supplemental survey made with 376 commercial banks and trust companies in 146 cities as of September 30, 1941, disclosed 2,892 commitments for construction work and plant facilities totalling \$633,000,000, an increase of 23 per cent in the three-month period.

Outstanding loans represented about 40 per cent of these commitments.

In only two cases has the Reconstruction Finance Corporation made loans against amounts due from the Government in accordance with Emergency Plant Facilities Contracts, and in one case a Federal Reserve Bank underwrote 75 per cent of such a loan which had been granted by a member commercial bank.

Defense Plant Corporation—On June 25, 1940, the Reconstruction Finance Corporation Act was amended by Congress to make increased financial assistance available for national defense. By this amendment the RFC was empowered to grant loans to or to purchase capital stock in any corporation for the purpose of producing, acquiring, and carrying strategic raw materials as defined by the President, for plant construction, expansion, and equipment, and for working capital to be used in the manufacture of equipment and supplies essential to our national defense.

In less than two months this amendment was utilized. On August 22, 1940, the RFC organized among other wholly-owned direct subsidiaries, the Defense Plant Corporation with an authorized and paid-in capital of \$5,000,000. Among its extensive powers the Defense Plant Corporation has the specific right to purchase, lease, or to acquire machinery and equipment to manufacture airplanes and parts, tanks, ordnance, and other products essential for national defense, and "if the President of the United States finds that it

is necessary for the Corporation to engage in the manufacture of arms, ammunition and implements of war, to engage in such manufacture itself."

All plants which have been erected and equipped by the corporation since that time have been leased to manufacturers. None are being operated directly by Defense Plant Corporation.

Under this streamlined arrangement, funds are fully supplied by an agency of the Federal Government to construct and equip plant facilities essential to the emergency program, and it is not necessary for the manufacturer to incur any liability directly or indirectly in the process. Many manufacturers prefer this arrangement to the Emergency Plant Facilities Contract under which the debt is fully offset by a promise of the Federal Government. These plants are constructed, and according to many contracts, are equipped by the manufacturer for the account of the Defense Plant Corporation and this corporation pays as the work progresses. When the construction is completed the manufacturer operates the facilities on a five-year lease generally on one of the following two arrangements:

1. A rental of \$1 per year, in which case the manufacturer does not charge the Government a price for the product which includes any charge for the facilities. Such a rental agreement is generally made with concerns that sell the entire output of newly constructed and equipped facilities to the War or Navy Departments.

2. A rental large enough to cover a fair rate of depreciation on the entire cost of the plant during its useful life. Such rental agreements are generally made with those concerns that sell partly to the War and Navy Departments and partly to private customers. In this type of case, the rental for the facilities may be included in the price which the concern charges for the product.

The Defense Plant Corporation has become the most important unit in the construction of emergency plant facilities. It is being used to a far greater extent than the private resources of

ADJUSTING A VULTURE BASIC TRAINER ELECTRIC STARTER—HARRIS AND EWING PHOTO



manufacturers or the Emergency Plant Facilities Contract. By January, 1941, total commitments of the Defense Plant Corporation, including some plants already erected and equipped, work in process, and commitments on which work had not begun, amounted to \$350,000,000. Six months later, on June 30, aggregate commitments had reached \$788,000,000, and by November 15, 1941, the total had jumped spectacularly to \$2,290,000,000.

Commitments aggregating \$65,444,200, the largest on record have been made by the Defense Plant Corporation to the General Electric Company. These funds are being used to erect plants at Erie, Pa., West Lynn and Everett, Mass., and Schenectady, N. Y., for the manufacture of aircraft and naval equipment, and at Fort Wayne, Ind., for the manufacture of aircraft equipment. The Bethlehem Steel Corporation has received commitments of \$55,777,000.

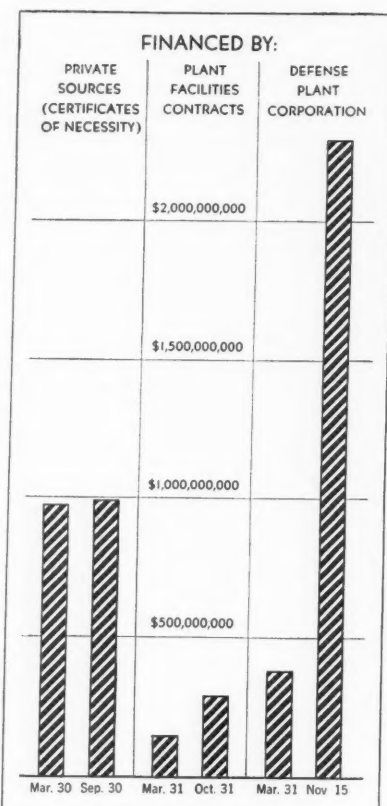
The manufacturer generally has the privilege of acquiring title to the plant facilities being leased from the Defense Plant Corporation at the end of the emergency period, on the same basis as title may be acquired directly from the Federal Government on plants which are financed in accordance with the Emergency Plant Facilities Contract.

Financing Defense Production

During the seven months of 1940 after President Roosevelt ordered the increase of armed forces, production of only a few defense orders was delayed because of the inability of a manufacturer to obtain adequate current financing. The early absence of this particular financial problem seems to have been due to two facts, first, the dollar volume of initial defense orders was rather moderate as judged by more recent war standards, and second, by far the greater part of the first large wave of defense orders went to the larger corporations that had adequate funds and credit to finance the increased production without strain.

Before the end of the second quarter

THE FINANCING OF INDUSTRIAL FACILITIES PROJECTS *Cumulative to Date Shown, 1941*



How facilities financing divides between the three plans described is approximated here from somewhat fragmentary data. Recent available figures are for different dates. To December 1, 1941, awards for industrial facilities projects totalled \$5,000,000,000.

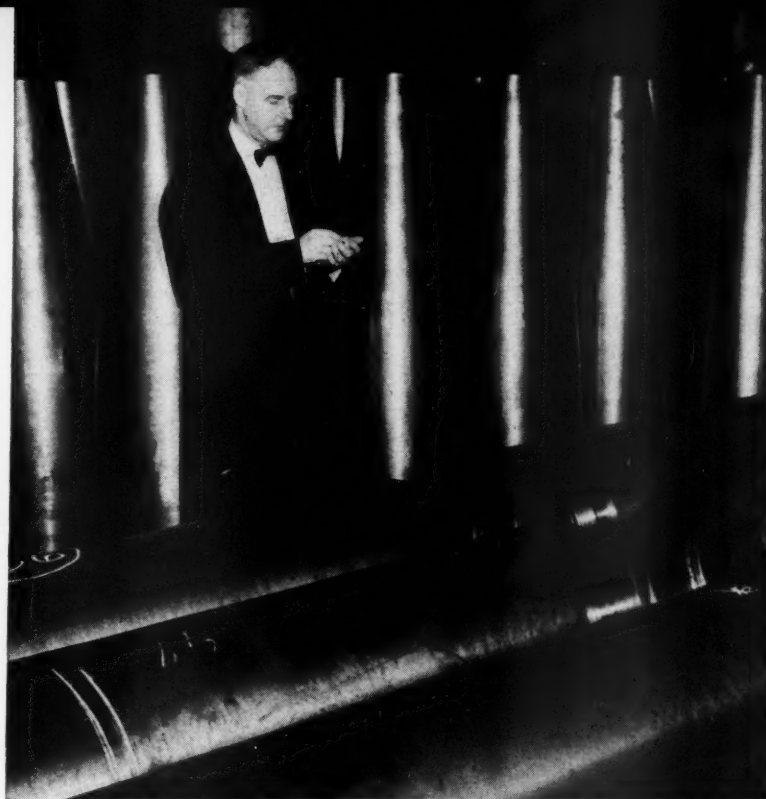
of 1941, however, working capital problems were spontaneously arising in most industrial centers, and such problems, moreover, were increasing in importance. The normal open lines of bank credit of many concerns in healthy financial condition were being fully utilized, and additional credit far beyond these normal requirements was needed. At the same time, many of the larger and better established corporations were working close to capacity, and an increasing proportion of the orders in the now rapidly expanding emergency program was going to medium-size and smaller manufac-

turers whose financial resources were inadequate for the immediate task. Many of these medium-sized and smaller concerns had lines of bank credit which were relatively limited, while others had absolutely no bank credit on any basis.

The solutions to the financial problems caused by inadequate net working capital and mushrooming production, problems of meeting larger payrolls, of purchasing heavy raw material requirements, of carrying greatly increased inventories and heavier receivables, are to be found in the lending operations of commercial banking institutions, of the Federal Reserve Banks, of the RFC, and of the War and Navy Departments.

Commercial Banking Institutions—Larger corporations such as the United States Steel Corporation, Bethlehem Steel Corporation, General Electric Company, Westinghouse Electric & Manufacturing Co., and The Baldwin Locomotive Works, Inc., have had no working capital problems in financing defense and war production. If credit was needed, additional short term loans on straight paper were obtained in a normal manner from depository banks. When, however, a manufacturer was already in a weakened financial condition and then obtained large emergency business, or when a small or moderate size manufacturer in sound shape obtained a contract requiring bank credit far in excess of normal borrowing capacity, typical problems of financing defense production arose.

Commercial banks and trust companies are in existence to grant loans. No matter how much a banker may like to extend credit to depositors that are not in healthy financial condition, or that need excessive accommodation, he is unable to do so unless he has every reasonable assurance that he will be adequately protecting the deposits of his bank and the capital entrusted to his care. Customary credit standards are being modified somewhat by progressive bankers under the pressure of the existing emergency, but it is obvious that reasonable credit standards cannot



CHECKING TORPEDO PARTS AT ALEXANDRIA, VA.—HARRIS AND EWING PHOTO

be completely ignored even in wartime.

If a thorough analysis of an account indicates that a prospective loan may not be adequately protected if made on the straight paper of the depositor, the banker customarily requests additional security. Until the rise of war economy credit problems, this security might have represented the endorsement or guarantee of officers and directors, the discounting of notes receivable, a mortgage on real estate and buildings, the assignment of accounts receivable except sums due from the Federal Government, the pledge of merchandise, of securities, of the cash surrender value of life insurance, of stock interest in subsidiaries, or other methods which have become widely known and used. In unusual cases the banker might finally decide that even with such additional security a particular loan still might not be adequately protected.

During the past eight years, a steadily increasing volume of profitable loans has been made by commercial banking institutions against assigned accounts receivable as security. According to a

law which had been enacted by Congress July 29, 1846, entitled *An Act in Relation to the Payment of Claims*, the assignment of receivables due from the Federal Government was specifically prohibited. As increasing proportions of the receivables of many manufacturers working on emergency orders became due from the Federal Government, the prohibition against assigning these claims as bases for loans became a widely advertised bottleneck, particularly to those concerns whose financial condition did not justify the extension of open bank credit.

This situation was remedied by the passage of the *Assignment of Claims Act of 1940* by Congress in October. This assisted manufacturers handling substantial defense contracts in obtaining bank credit, by permitting payments from the Federal Government due or to become due under a contract of \$1,000 or more to be "assigned to a bank, trust company, or other financial institution, including any Federal lending agency." When such accounts are now assigned, payments from the Gov-

ernment are made directly to the bank or other assignee but only upon the satisfactory fulfillment of the contract requirements by the manufacturer.

As a result of this effective and practical law, a manufacturer that now has a substantial amount due from the Federal Government, possesses a valuable asset which may be offered to a banker as security for a loan if the financial condition of the business is inadequate to support an open line of bank credit. Notice, however, that payments from the Federal Government are conditioned upon the satisfactory fulfillment of the contract requirements by the manufacturer. In other words, the banker in extending a loan to a prime contractor working on defense business, must have every reasonable assurance that the management has the skill, the organization, and the proper equipment to fulfill the contract. If the finished products do not meet these requirements, and the assigned receivables consequently are not paid at maturity by the Government, the manufacturer might become financially involved and the lending banker might become the unwelcome and unexpected owner of a very badly frozen loan notwithstanding the assignment of what appeared to be the highest possible rated receivables.

Ability to Produce

Some manufacturers in going after defense and war business have failed to realize the precise nature of the detailed specifications, and when they have applied to their banker for a loan, have had difficulty in convincing him of their ability to handle the work satisfactorily. It is widely evident today, that bankers generally regard the ability of management to perform on such contracts of more importance than the precise financial condition of the business, itself, as a basis for credit. The importance of this ability is easily realized by the one fact that many concerns have received contracts to produce articles which they had never made prior to the existing emergency.

Before products are accepted by the army or the navy, they must be inspected. If the manufacturer has a large plant, the final inspection might take place at the plant, otherwise the products would normally be inspected after arrival at a depot of the Federal Government. If the final inspection is carried on at a depot, appreciable expense and complications may easily ensue in the rejection or re-shipment of defective items back to the plant. On the other hand, if an inspector is stationed by the Federal Government at the plant, and products are inspected as they come off the assembly line, rejections may be kept to a minimum by making immediate improvements in the manufacturing processes. Serious loss from rejections might easily ruin a small or moderate size manufacturer.

The outstanding importance of skill and ability, proper equipment, and trained employees in fulfilling contracts, is exemplified in the recent experience of a century old shipbuilding corporation engaged in building private yachts. Immediately following 1930, the typical problems in a lengthening depression materialized. The volume shrank each succeeding year, operating costs were contracted, every possible penny of expenditure was squeezed out of the expenses, but losses continued to be the outstanding characteristic of the income account. The net working capital decreased along with the losses, but up to December 31, 1939, a satisfactory margin was maintained with current assets of \$305,000, current liabilities of \$145,000, and a net working capital of \$160,000.

Working Capital Affected

In October, 1939, contracts aggregating \$980,000 had been obtained from the Navy Department to construct four harbor tug-boats. Specifications called for steel hulls. Inasmuch as all boats previously constructed by this corporation had been of the wooden hull type, about \$40,000 was expended to improve the plant and shop facilities to better construct steel hull boats. These ex-

penditures immediately brought about a corresponding decrease in the net working capital.

Two of the tug-boats were completed during the latter part of 1940. Unexpected difficulties had been encountered owing to inexperience in constructing steel hull boats. Change after change was made. Finally the boats met full requirements and were accepted by the navy. In constructing these two boats, not only was no profit earned, but \$137,000 was lost. A corporation which on December 31, 1939, had a tangible net worth of \$490,000 and a net working capital of \$160,000, one year later had a tangible net worth of \$353,000 and a deficit in net working capital of \$17,000. As soon as the *Assignment of Claims Act of 1940* became law, payments on the governmental contract were immediately assigned to protect the bank loan. What payments will finally be made to mercantile creditors of this enterprise on long, past due trade accounts is in the realm of abstract conjecture.

An old widely used financing technique supplementing the use of commercial credit is known as "partial or progress payments." A manufacturer receives payments on account from the Federal Government when certain stipulated work has been completed and then uses these funds to repay or to reduce loans from lending financial institutions.

A builder of mine sweepers, for example, might receive a payment of 10 per cent of the contract price when the keel is laid, 10 per cent when the frame is completed, 10 per cent when the vessel is planked or plated, 10 per cent when the deck is laid, 20 per cent when the main engine is installed, 10 per cent when the vessel is launched, and 20 per cent when the vessel is delivered—each item, of course, subject to rigid inspection and approval. The final 10 per cent is withheld by the Federal Government for a specified guarantee period which invariably runs from three to six months.

The use of "partial or progress pay-

ments" is a considerable help to manufacturers somewhat short on net working capital and whose products have a high unit value. Bank credit quite often is needed to carry over the current manufacturing period while approval is being obtained from the Federal inspector, and while payment checks are being drawn and delivered.

60 Per Cent for Production

The previously mentioned banking survey made by the Board of Governors of the Federal Reserve System in cooperation with the Office of Production Management as of April 30, 1941, disclosed the fact that one-third of all outstanding defense loans made by the commercial banks and trust companies in the 101 leading cities, was for the erection of plant facilities, and that \$283,000,000, or two-thirds, was for production purposes. Sixty per cent of the outstanding defense commitments, or \$308,000,000, was also for production purposes.

The greater portion of these loans and commitments was outstanding with manufacturing concerns in the more established industries, such as manufacturers of machinery, textiles, and iron and steel products. About 7 per cent of the loans had been made on the assignment of claims due from the Federal Government. When the American Bankers Association had completed its survey of September 30, 1941, assignments were being obtained on 28 per cent of all defense loan transactions.

The aforementioned survey made by the American Bankers Association as of June 30, 1941, disclosed aggregate outstanding working capital loans and commitments of \$788,000,000 by the 369 reporting commercial banking institutions, with and without the assignment of payments due from the Federal Government. Three months later, working capital loans and commitments of the 376 reporting banks and trust companies in 146 cities had increased to \$1,332,000,000, an expansion of 71 per cent. June 30, loans represented about 61 per cent of the commitments.

An industrial concern able to finance the manufacture of defense and war products in a normal manner with short-term bank loans is free from the tremendous amount of red tape which seems to accompany financing by the Federal Government. This established customary method of financing current business operations is the most flexible arrangement; the amounts to be borrowed and the length of borrowing vary readily with the need. If credit is required in excess of the anticipated amount, the circumstances are discussed with the lending officer of the banking institution that granted the out-

standing loan. Additional funds are obtained more easily in this everyday routine from a banking institution than from the Federal Government. The greater part of working capital financing for war production purposes is being furnished in this manner by commercial banks and trust companies in accordance with recognized practices.

Federal Reserve Banks—By an Act of June 19, 1934, Congress enlarged upon the powers of the twelve Federal Reserve Banks as reserve institutions, but authorizing the extension of loans directly to established business enterprises for working capital purposes.

Loans of this nature have never been large. As a result of this Act, the Federal Reserve Banks stand ready to grant credit to finance war production where such loans cannot be obtained from commercial banking institutions.

Requests for defense loans for working capital purposes from the Federal Reserve Banks have been very limited. Between May 29, 1940, and November 26, 1941, only 470 applications for aggregate working capital loans of \$93,142,000 were received by the twelve Federal Reserve Banks direct from business enterprises. Of this number, 347 or 74 per cent of the applications were approved for total potential loans of \$81,095,000. During this about eighteen-month period outstanding direct loans of the twelve Federal Reserve Banks together with participations in loans with member banks increased from \$22,587,000 to \$30,569,000. At the same time outstanding unused commitments expanded from \$8,852,000 to \$14,735,000. The amounts involved in these figures are very modest, as opportunities for individual Federal Reserve Banks to grant working capital loans have been kept to a low level by the more aggressive attitude of commercial bankers in all parts of the country.

The Federal Reserve Bank of New York over this period of time received only one application for a defense working capital loan and that for a commitment of \$500,000. It was granted and subsequently retired without any portion of the sum having been used. By the latter part of November, 1941, the Federal Reserve Bank of Philadelphia was the most active of the Reserve Banks from which information regarding defense loan activity could be obtained. The Philadelphia bank had outstanding 25 direct and participating defense loans aggregating \$4,000,000. The Cleveland bank was next with eight outstanding loans and participations with member banks aggregating \$894,000. Boston and Dallas each had one such loan. Kansas City had no outstanding defense loans but it did have commitments of \$1,460,000.



"It's a RACE BETWEEN HINDENBURG AND WILSON," by Lute Pease in the Newark News, is a reminder that time counted in 1917 too. When this cartoon was published the Germans were jeering at the "little United States Army." They discovered otherwise but forgot under Hitler.

No information regarding working capital loans or commitments for defense or war purposes was available at the time of this study from the Federal Reserve Banks of Atlanta, Chicago, Minneapolis, Richmond, St. Louis, or San Francisco.

Reconstruction Finance Corporation—This corporation was created by Congressional legislation on January 22, 1932, at the suggestion of President Hoover as an emergency agency to extend credit to banking and financial institutions of all kinds such as commercial banks, savings banks, trust companies, building and loan associations, insurance companies, mortgage loan companies, and credit unions. Subsequent legislation provided for the extension of credit under almost every conceivable circumstance and to all types of prospective borrowers from States and territories to business enterprises, and to other agencies of the Federal Government. An amendment passed by Congress June 12, 1940, provided specifically for the granting of loans to corporations to aid in national defense.

In a recently published and very enlightening volume entitled *Financing Defense Orders*, Lynn L. Bollinger of the Harvard Graduate School of Business Administration tells about an inventor who developed a device early in 1941 for use in military aircraft. The inventor had had "little practical experience in production management and had virtually no capital to invest in a business. Nevertheless, in view of the advantages of his device he had re-

ceived a large order from a manufacturer of military aircrafts. Because of inadequate equity capital and doubt regarding the inventor's managerial ability, banks would not finance the venture. Being a sub-contractor, he could not obtain a Government advance payment. He applied for an RFC loan, and upon first investigation was refused. The aircraft manufacturer who had ordered these devices reported that they were an essential part of a newly designed ship which had been ordered in large quantities by the air corps. For this reason the air corps officers informed the RFC that it was important for defense purposes that the applicant receive sufficient capital to finance the production. The RFC then made the loan."

Difficult Procedure

Not all loans made by the RFC are of this type. Probably a substantial portion made by this ubiquitous agency has been made, however, as a last resort, after searching investigation and analysis by banking institutions had failed to reveal a sound basis for the extension.

The procedure to obtain a loan from the RFC is neither short nor sweet. It generally involves negotiations lasting from three to nine weeks, the submission of elaborate forms to district offices that then report to headquarters at Washington where the decision is finally made by the Board of Directors. When the loan is granted this corporation, in accordance with its established practice, generally limits management compensation, takes whatever security

is available to protect the loan, and insists upon having an agreement that the management may be changed while the loan is outstanding if the executive personnel is not satisfactory to the lender.

The RFC is granting a much larger proportion of the working capital loans to manufacturers handling defense and war contracts than the twelve Federal Reserve Banks, but at that, only a modest proportion of the total available volume. An indication of the relative number of defense and war loans handled by the RFC is found in the fact that as of March 20, 1941, only 7 per cent of defense contracts assigned to lending agencies had been assigned to this agency of the Federal Government. Total defense loans for the entire country being handled by this corporation were reported on May 7, 1941, to be \$194,150,079, and on September 15, 1941, to be \$473,960,000. This latter amount included the two loans on Emergency Plant Facilities Contracts mentioned before. It also included a number of loans in which commercial banks had participated.

Advances from Federal Government—In recent years progressive commercial bankers have gone out of their way to cultivate possibilities for making new types of sound loans. Special efforts have been made to facilitate the emergency program by extending all possible credit to concerns that have obtained defense and war contracts. Notwithstanding the *Assignment of Claims Act of 1940*, situations continue to materialize which do not appear to

(Continued on page 44)

ARMY AVIATION SKI TROOPS FROM AIR CORPS, FT. LEWIS, WASH.—PHOTO BY U. S. ARMY SIGNAL CORPS FROM HARRIS AND EWING



The Business Man's Diary

December - 1941						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- 1 CANADIAN price controls become effective, establishing ceilings at levels prevailing September 15 to October 11. . . . Settlement of railroad dispute by fact-finding board gives salary increases estimated at \$300,000,000. . . . First direct allocations order establishes complete control over steel plates.
- 2 PRESIDENT asks Japan to explain new aggression in French Indo-China.
- 4 FURTHER curtailment in electric refrigerator output cuts production 30 to 52 per cent in January and February.
- JAPAN launches surprise attack on American and British Pacific possessions; battleship and five other U. S. Navy ships lost at Hawaii. . . . Canada, Costa Rica declare war on Japan. . . . Arbitration board orders union shop in captive coal mines.
- UNITED STATES and Britain declare that a state of war exists with Japan. . . . China goes to war against entire Axis. . . . OPM speeds survey of existing inventories of scarce materials, sets up section to requisition materials and supplies. . . . West Coast cities blacked out in air raid alarm.
- 8 BRITISH battleship and cruiser sunk by Japanese in South China Sea. . . . Navy orders ship movements suspended on Pacific Coast. . . . OPM calls for work week of 168 hours in essential war industries. . . . Sale of new automobile tires except those essential for defense temporarily banned.
- 10 UNANIMOUS Congressional vote declares a state of war existing with Germany and Italy after formal declaration by those nations. . . . Congress removes restrictions in Selective Service Act on use of troops outside the Western Hemisphere. . . . Automobile production quotas cut additional 25 per cent for December, 50 per cent for January. . . . Spot ceiling prices set on coffee, cocoa, black pepper, and cocoa butter.
- 11 ADDITIONAL production cuts ordered for washer-ironer industry for February more than double those in present curtailment program.
- RFC establishes War Insurance Corporation with a capital of \$100,000,000 to cover property damage through air raids or invasion. . . . Ceiling price set on all fats and oils except butter.
- 13 PRESIDENT reports total of \$1,202,000,000 lease-lend aid in nine months, \$723,000,000 of which represented war equipment and other defense materials.
- CONGRESS votes compulsory military service for all males 20 to 44 years of age, registration for those 18 through 64. . . . Manufacturers of china, glass, lamps, lamp shades, watches, and silverware asked not to raise prices above December 1 levels.
- 19 BAN on sale of new automobile tires extended until January 5. . . . Price ceilings set over refined and other "direct consumption" sugar.
- 21 CHURCHILL arrives in Washington to confer with President Roosevelt on "all questions relevant to the concerted war effort."
- LABOR and industry agree on arbitration plan to bar strikes. . . . Revised iron and steel scrap price schedules show some increases designed to encourage collections.
- 23 PRICE ceilings on leather set at highest levels prevailing during November 6-December 6 period.
- RATIONING regulations bar issuance of tire purchase certificates except to owners of vehicles performing essential services. . . . Churchill addresses Congress, predicts huge allied drive in 1943. . . . Authorizations for war expenditures to date total \$74,440,000,000.
- 26 KNUDSEN urges defense goods manufacturers to avoid any shutdown for year-end inventory-taking.
- PRESIDENT announces plans for gigantic new war program to boost production in next fiscal year over \$50,000,000,000, or 50 per cent of the national income. . . . Manufacturers' cigarette prices frozen at December 26 levels, retail prices of automobile tires and tubes to levels of November 25.



JAPANESE RAID HICKAM FIELD—U. S. ARMY SIGNAL CORPS, FROM INTERNATIONAL



RECORD RECRUITING RUSH JAMS ARMY-NAVY CENTERS AFTER JAPAN'S ATTACK—ACME



CHURCHILL AND ROOSEVELT PLAN CO-ORDINATED WAR STRATEGY—INTERNATIONAL



RUBBER RATIONING SPEEDS CONVERSION OF SCRAP INTO "VICTORY" TIRES—ACME



PHOTOGRAPH FROM LAWRENCE D. THORNTON

THE TREND OF BUSINESS

Business enters the new year with gains marked in every phase of activity. But the change from a year ago goes beyond a difference of level. Conversion to war production, sharply accelerated in the past month, has already effected a striking revision of the business pattern. The trend of industrial activity is in two directions at once. Retail buyers making plans for Spring at January market events take into account employment dislocations and the heavier tax burden as well as a rising and record consumer income.

THE intensification of the war effort in the past month has been reflected throughout the business scene. In industry the wholesale shift to war production is being pressed with less regard for change-over dislocations. The curtailment of consumer industries which compete with war-time needs has been greatly accelerated. Rationing controls have been extended more widely in the industrial field and introduced for the first time into the retail

market. In five weeks since the outbreak of hostilities price ceilings have been set over an additional sixteen classes of goods, two of them also covering retail selling.

At the start of 1941 industrial production was 15 per cent greater than at the beginning of the best previous year on record. At the start of 1942 output is another 20 per cent larger. National income in November, the latest month for which we have figures, was at an

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1938	1939	1940	1941
January	90	88	92	101
February	88	88	90	103
March	86	88	89	103
April	83	88	89	108
May	80	87	89	107
June	82	86	91	104
July	83	87	92	115
August	83	88	92	134
September	85	90	97	116
October	86	92	94	105
November	87	93	100	115
December	88	95	101	

annual rate of \$96,000,000,000, compared with a rate of \$79,000,000,000 in November a year ago. Total non-agricultural employment had reached 40,693,000, an increase of 3,165,000 workers in twelve months.

Over the year the Government's monthly expenditures for war purposes have more than tripled, from less than \$600,000,000 last January to over \$2,000,000,000 this January. Expenditures are now above the peak of the World War period in April 1918.

A year ago the Government had appropriated \$28,500,000,000 for defense. It had not yet found it necessary to regulate the flow of materials between defense and non-defense users. The first priority regulation (for aluminum) was still two and one-half months away. The first direct limitation order (for motor trucks and buses) was all of eight months away.

As the authorized war program has risen rapidly to a record total of \$74,500,000,000 the scope of the effort no longer permits of business as usual. At the start of 1942 the record shows a total of 52 of the important "M" preference orders issued since last March. Allocations, which allow for stricter Government controls and planning, have started to supplant priorities. Production

Industrial Production

Federal Reserve Board Adjusted Index
1935-1939 = 100

	1938	1939	1940	1941
January	85	101	122	140
February	84	101	116	141
March	84	101	113	147
April	82	97	112	144
May	81	98	116	154
June	81	103	127	159
July	86	105	122	160
August	90	106	124	161
September	93	114	127	161
October	96	121	130	163
November	101	124	134	167
December	101	125	139	

Factory Payrolls

U.S.B.L.S. Index
1923-1925 = 100

	1938	1939	1940	1941
January	75.4	84.7	99.8	127.7
February	77.7	87.1	99.3	126.8
March	77.8	88.8	99.8	131.2
April	75.2	86.8	97.9	134.7
May	73.6	86.3	97.8	144.1
June	71.6	87.0	99.5	152.1
July	71.7	85.8	98.5	152.6
August	77.9	91.2	109.5	158.3
September	82.3	95.2	111.6	161.0
October	85.0	103.2	116.2	166.6
November	85.2	103.2	116.4	165.5
December	88.1	105.4	122.4	

curtailment has been directly ordered in a large and growing number of industries. After producing 200,000 units this month, automobile manufacturers face complete suspension of passenger car output. Rubber can be processed only for specified essential articles. Wool use has been reduced 20 per cent in total and 50 to 60 per cent in civilian goods.

Curtailment of civilian production adds to the upward pressure on prices. A year ago the general wholesale price average was 80 per cent of its level in 1926, the index of living costs (NICB) 86 per cent of the 1923 level. At this time no price controls had been established. In mid-January Mr. Henderson was to issue his first warning, against a sharp advance in the price of iridium. No formal price schedule was established until that for second-hand machine tools in mid-February.

At the start of 1942 the general wholesale price index is 94 per cent of its 1926 average. The cost-of-living index is up another 7 points to 93. A total of 63 price schedules has been issued since last February and an additional 69 price controls voluntarily achieved under methods variously described as warnings, requests, and agreements.

In general retail sales pursue a fairly normal trend. While selective spurts in demand have recently occurred—singling out such commodities as flashlights, sugar, golf balls, and girdles—since the scare buying set off last Summer by the silk stocking rush there has been no general movement of comparable proportions.

Retailers attending January wholesale markets show a more cautious attitude toward the placing of forward

commitments than during the Fall season. While retail dollar sales are currently above a year ago, higher prices largely account for the increase. Retail buyers point out that a generally strong sales trend, backed by the record increases in consumer income, is spotted by the uncertainties of employment shifts, higher taxes, and changes in demand under war conditions. There is a disposition to maintain a flexible budget while covering initial Spring needs moderately.

Industrial activity: Through the year-end the pace of the war effort continued to forestall the usual seasonal decline in production. From 167 in November the FRB adjusted index is estimated to have reached a new peak of 168 in December (1935-1939 = 100). Increases again centered in the durable goods industries.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Sept. 1941	Oct. 1941	Nov. 1941	Dec. 1941
I	91.0	91.6	91.6	92.2
II	91.6	91.6	91.7	93.1
III	91.5	91.7	92.3	94.0
IV	91.2	91.2	92.2	93.8
V			92.3	

On balance 1941 stood out as the most productive year on record. An average of 156 for the FRB index of industrial activity compared with the all-time high of 123 established in 1940 and with the 1929 average of 110.

Inventories: Record output was still accompanied by an unusually heavy inventory accumulation. Reports to the U. S. Department of Commerce revealed that manufacturers' inventories rose by approximately \$450,000,000 in November to exceed \$15,000,000,000, the highest volume ever recorded. Wholesalers reported a rise of 2 per cent in November, making the increase over a year ago 24 per cent. Department stores too had a gain during the month, with a 35 per cent inventory expansion over last year.

Consumer income: Less-than-seasonal decreases in agricultural incomes and in manufacturing payrolls accounted for a further advance in the adjusted index of income payments to a new high of 142.9 in November. Income aggregated \$7,871,000,000, as compared with \$6,362,000,000 a year ago.

Preliminary estimates placed the total for the year close to \$92,000,000,000, or a gain of \$16,000,000,000 over 1940.

Consumer spending: While the Christmas season ended at a more modest level than retailers had first anticipated, the showing for December turned out to be an exceptionally good one judged by past years. The adjusted index of department store sales was 110 (1923-1925 = 100), matching the peak level of December 1929.

Prices: The wholesale price rise, largely halted during the Fall, resumed with new vigor after the outbreak of war. From the first week in December to the beginning of January the USBLS all-commodity index advanced 2 points to 94.3. Stock prices worked generally lower during December but started on an upward trend at the end of the month which partially cancelled out the earlier 9-point loss in the Dow-Jones industrial share average.

Banking and finance: An increase of \$657,000,000 in money in circulation during the four weeks prior to Christmas compared with a rise of only \$352,000,000 last year. Member bank reserve balances dropped to \$12,447,000,000 as of December 24 and increased by \$270,000,000 in the two weeks following as currency flowed back at a slower rate than a year ago.

Industrial Stock Prices

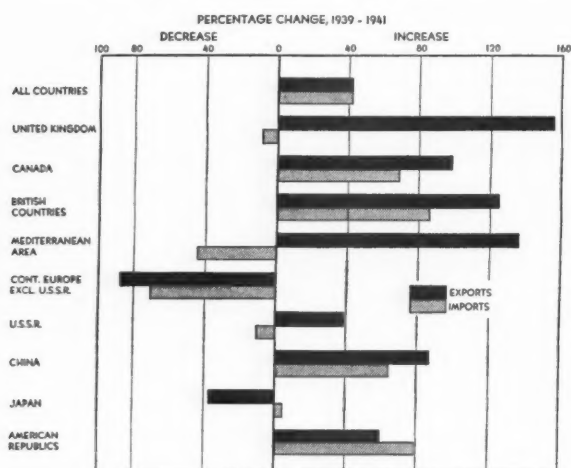
Dow-Jones Index (Weekly Average)

Week	Sept. 1941	Oct. 1941	Nov. 1941	Dec. 1941
I	127.18	126.34	118.92	115.82
II	127.18	123.67	118.83	110.50
III	128.04	120.02	116.42	109.28
IV	126.91	120.69	116.48	108.43
V			115.80	

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

U. S. Foreign Trade After Two Years of War



PERCENTAGE CHANGE IN U. S. TRADE WITH SELECTED FOREIGN COUNTRIES, YEAR ENDED AUGUST 1941 FROM YEAR ENDED AUGUST 1939—U. S. Bureau of Foreign and Domestic Commerce—Huge war-time demands of the British Empire and urgent needs of the American Republics more than offset the steep decline in trade elsewhere.

DOMINATED by war developments, our foreign trade continued to expand in the second year of war. The British blockade and war requirements in addition to our policy of aiding the democracies intensified the pattern of geographical and commodity concentration in trading noted during the first year of conflict.

The loss of most Continental and Mediterranean markets and the rapid breakdown in our relations with Japan sharply reduced the flow of trade with these areas. However, huge war-time demands of the British Empire and allied countries as well as urgent needs of the American Republics combined to more than offset the steep decline in trade elsewhere. Although exports, unlike the first year of war, expanded only 4 per cent in 1941, export volume was 42 per cent larger than in the year ended August 1939 and, at \$4,200,000,000, the highest since 1929.

Exports to British countries increased 125 per cent from the pre-war level to account for 61 per cent of all exports, as against 39 per cent in 1939. Shipments to continental Europe—excluding the U. S. S. R.—which in 1938 bought 22 per cent of our exports were reduced to 2 per cent. Large exports to Egypt boosted our Mediterranean trade.

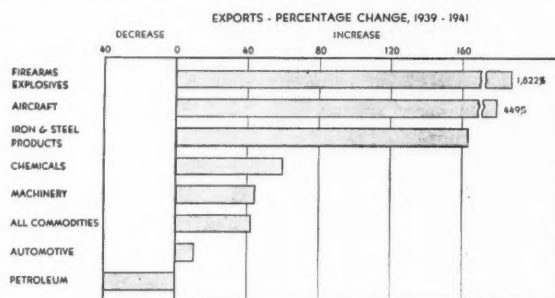
Cut off from former sources of supply, the American Republics turned increasingly to the United States for materials vital to the maintenance of their economies. As

our trade balance turned to favor the Republics, United States exports to the American Republics increased 60 per cent over the pre-war level while imports from these countries rose 79 per cent in the second year of war.

The character of our export trade shifted and is now tailored to meet the needs of countries resisting the Axis powers. As United States industry tuned up to war production in the second year of conflict, exports of finished manufactures rose 29 per cent over 1940 and shipments of semi-manufactures declined 11 per cent. Together, these groups accounted for 86 per cent of all exports, compared with 69 per cent in pre-war times. Shipments of military equipment skyrocketed; demand for petroleum products, foodstuffs, and textiles declined sharply as regular markets disappeared.

Until the lend-lease shipments, agriculture suffered particular hardship under war conditions; exports shrank to almost half the pre-war value in 1941 and agriculture's share of total exports dropped from 25 to 10 per cent.

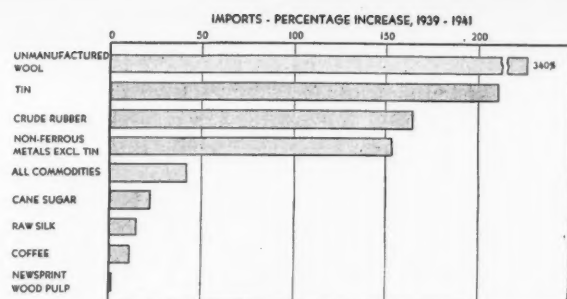
Reflecting the marked acceleration in buying of strategic raw materials, imports continued to rise sharply in the



PERCENTAGE CHANGE IN U. S. EXPORTS OF SELECTED COMMODITIES, YEAR ENDED AUGUST 1941 FROM YEAR ENDED AUGUST 1939—U. S. Bureau of Foreign and Domestic Commerce—Exports of military equipment skyrocketed, with arms, explosives, aircraft, and iron and steel in the lead.

second year of war. Increasing 15 per cent over 1940 and 42 per cent over the pre-war period, imports in the twelve months ended August 1941 at \$3,000,000,000 were largest since 1937. Crude materials' share of all imports jumped from 31 per cent in 1939 to 43 per cent in 1940. Our crude material exports accounted for only 7 per cent of all exports in 1941, compared with 21 per cent in 1939.

The British Empire countries supplied 42 per cent of our total imports, the American Republics 28 per cent, continental Europe excluding the U. S. S. R. 3 per cent, as compared with 32 per cent, 22 per cent, and 21 per cent respectively in 1939.



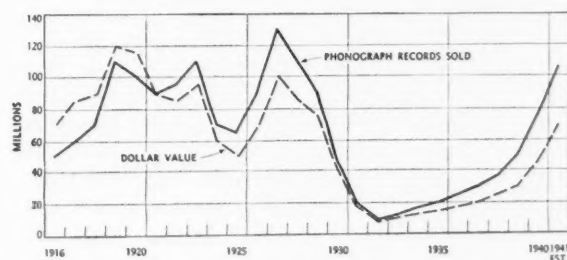
PERCENTAGE CHANGE IN U. S. IMPORTS OF SELECTED COMMODITIES, YEAR ENDED AUGUST 1941 FROM YEAR ENDED AUGUST 1939—U. S. Bureau of Foreign and Domestic Commerce—Largest gains have been made in imports of critical materials such as wool, rubber, tin, and other metals to build up our stockpiles and feed our war industries.

Records Star Again in Musical World

LEADING the temperamental life usually associated with musical prima donnas, the phonograph record industry has twice fallen from favor in its 45-year lifetime. On the crest of the current comeback, the industry had its most popular year since 1928 in 1941 when sales reached the 106,000,000 mark.

The introduction of radio started the phonograph industry on the downtrend in the early twenties. Disc sales dropped from a high of 110,000,000 in 1919 to 65,000,000 in 1925, and dollar volume was cut from \$120,000,000 to \$50,000,000. To compete with the vastly improved sound reproduction in radio, the phonograph industry introduced microphones and electrical recordings and sales soared to a record 130,000,000 units by 1927. Almost pushed into oblivion by the depression in 1932 when sales plummeted swiftly to 8,000,000 units, the trade slowly revived during the middle thirties, this time with the aid of radio.

The advent of swing gave phonographs the greatest popular demand ever. Songs plugged by swing bands on the air and by jukeboxes stimulated a demand for home recordings at lower prices. Radio's promotion of educational music also contributed heavily to the upsurge in demand for classical masterpieces. Despite a general policy of lower prices, volume failed to rise above 50,000,000 discs



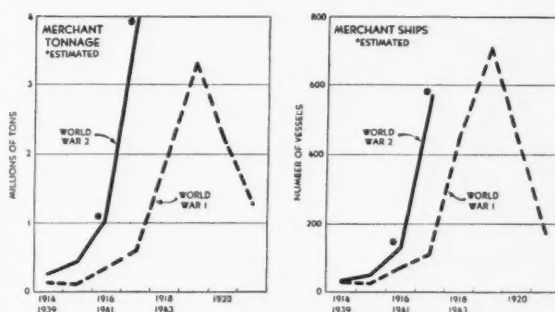
PHONOGRAPH RECORD RETAIL SALES—1916-1941—"Radio-Television Journal and Talking Machine World"—Following the collapse in 1932, recovery in the industry has carried sales to a new peak since 1928.

annually until 1940, when drastic price cuts were instituted for classical albums.

Peak Shipbuilding Planned for 1942

MERCHANT ships for the far-flung supply lines of the United Nations will be turned out at the rate of two a day by the fourth quarter of 1942. Tonnage produced will reach an all-time high of approximately 4,000,000 gross tons this year if estimates of the U. S. Maritime Commission are realized,* increasing by more than 50 per cent our total merchant fleet of 7,000,000 tons.

Under this schedule tonnage will exceed by 20 per cent the former peak year of 1919 and projections for 1943 plan output 40 per cent greater than 1919. In the record year of World War I, 714 steel merchant vessels of more than 2,000 gross tons totalling 3,374,542 gross tons were completed, according to the American Bureau of Shipping. Although the 574 vessels to be finished in 1942 fall short



COMPLETIONS OF STEEL MERCHANT VESSELS OF OVER 2,000 GROSS TONS—1914-1921, 1939-1942—American Bureau of Shipping and U. S. Maritime Commission—1942 will be a record year for shipbuilders, with two vessels a day sliding off the ways by the end of the year.

of the 1919 peak, the considerably larger size of ships today raises the tonnage output to new highs.

At the outbreak of war in 1939 our shipyards were much better prepared to accelerate production than in 1914, due to the long-range program of expanding the merchant marine undertaken as the result of the creation of the Maritime Commission in 1936.

The estimate for 1941 appears to have overshot the mark slightly, having indicated a production of 134 vessels aggregating 1,000,000 tons. Actual production, however, was approximately double 1940 and in 1942 is scheduled to be at least four times greater than in 1941. In the first quarter of 1942 90 ships will be delivered, in the second quarter 146, in the third quarter 154, and in the final quarter 184. In the first quarter of 1943 220 ships will be put into operation.

* The accelerated program proposed by President Roosevelt in January would increase the output for 1942 to 8,000,000 dead-weight tons which is estimated to equal about 750 ships of approximately 5,300,000 gross tons.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "DUN'S STATISTICAL REVIEW"

Building Permit Values—215 Cities

GEOGRAPHICAL DIVISIONS:	November 1941	November 1940	Per Cent Change	October 1941	Per Cent Change
New England	\$5,811,730	\$6,583,816	- 11.7	\$7,551,731	- 23.0
Middle Atlantic	11,829,203	27,242,687	- 56.6	21,015,686	- 43.7
South Atlantic	8,123,600	14,063,289	- 42.2	14,520,659	- 44.1
East Central	19,453,504	22,801,087	- 14.7	28,390,860	- 31.5
South Central	13,610,609	10,020,001	+ 35.8	13,481,173	+ 1.0
West Central	4,321,029	4,285,521	+ 0.8	7,219,108	- 40.1
Mountain	2,435,577	2,015,084	+ 20.9	2,610,893	- 6.7
Pacific	26,697,833	15,528,172	+ 71.9	29,955,398	- 10.9
Total U. S.	\$92,283,085	\$102,539,657	- 10.0	\$124,745,508	- 26.0
New York City	\$5,382,568	\$20,417,386	- 73.6	\$11,256,790	- 52.2
Outside N. Y. C.	\$86,900,517	\$82,122,271	+ 5.8	\$113,488,718	- 23.4

Bank Clearings—23 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1941	1940	1939	1941	1940	1939
January	26,155	24,140	23,383	1,005.9	928.5	935.3
February	22,687	20,641	19,885	1,031.2	897.4	903.8
March	27,609	23,681	25,192	1,061.9	910.8	933.0
April	27,105	23,587	21,931	1,042.5	907.2	879.2
May	27,602	24,361	22,374	1,061.6	936.9	860.5
June	28,094	21,838	23,212	1,123.7	873.5	892.8
July	28,483	22,939	21,576	1,095.5	882.3	863.1
August	27,125	21,046	22,782	1,043.3	779.5	843.8
September	27,308	21,083	24,015	1,092.3	878.5	960.6
October	32,283	25,289	22,469	1,241.7	972.7	898.8
November	28,437	25,224	22,807	1,292.6	1,096.7	991.6
December	27,862	26,827	26,827	1,114.5	1,073.1	1,073.1
Total	281,691	276,503	276,503	931.5	919.6	919.6

Bank Clearings for Individual Cities

(Thousands of dollars)

	November 1941	November 1940	Per Cent Change	October 1941
Boston	1,294,867	1,119,719	+ 15.6	1,453,197
Philadelphia	2,223,000	1,889,000	+ 17.7	2,525,000
Buffalo	195,671	161,548	+ 21.1	227,859
Pittsburgh	772,593	629,019	+ 22.8	860,570
Cleveland	676,287	519,344	+ 30.2	743,705
Cincinnati	361,757	287,598	+ 25.8	392,800
Baltimore	456,289	381,306	+ 19.7	529,017
Richmond	247,976	211,668	+ 17.2	296,769
Atlanta	415,500	319,000	+ 30.3	460,000
New Orleans	243,785	199,584	+ 22.1	287,216
Chicago	1,714,254	1,448,545	+ 18.3	1,877,397
Detroit	770,566	627,577	+ 22.8	832,895
St. Louis	534,631	422,387	+ 26.6	587,406
Louisville	239,492	174,941	+ 36.9	262,408
Minneapolis	406,777	325,428	+ 25.0	465,430
Kansas City	526,744	429,200	+ 22.7	613,263
Omaha	170,611	138,555	+ 23.1	197,008
Dallas	343,547	271,356	+ 26.6	375,717
Houston	289,290	233,529	+ 23.9	310,499
San Francisco	834,999	671,943	+ 24.3	938,749
Portland, Ore.	259,584	164,685	+ 57.6	264,597
Seattle	259,368	185,367	+ 39.9	287,240
Total 22 Cities	13,237,588	10,811,299	+ 22.4	14,788,742
New York	15,199,268	14,413,037	+ 5.5	17,494,213
Total 23 Cities	28,436,856	25,224,336	+ 12.7	32,282,955

Dun & Bradstreet Wholesale Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

1942	1941	1940
Jan. 20.. \$3.47	Jan. 21.. \$2.52	Jan. 23.. \$2.35
Jan. 13.. 3.47	Jan. 14.. 2.51	Jan. 16.. 2.34
Jan. 6.. 3.45	Jan. 7.. 2.50	Jan. 9.. 2.35
1941	1940	1939
Dec. 30.. \$3.43	Dec. 31.. \$2.48	*Jan. 2.. \$2.34
Dec. 23.. 3.42	Dec. 24.. 2.48	Dec. 26.. 2.33
Dec. 16.. 3.39	Dec. 17.. 2.48	Dec. 19.. 2.34

HIGH LOW

1942.. \$3.47	Jan. 13	\$3.45	Jan. 6
1941.. \$3.43	Dec. 30	\$2.50	Jan. 7
1940.. \$2.49	Dec. 10	\$2.18	June 18

Dun & Bradstreet Daily Wholesale Price Index 30 Basic Commodities

(1930-1932 = 100)

	1942	1941	1940	1939
1.	*	144.61	143.40	146.09
2.	151.54	144.74	†	145.98
3.	152.16	145.88	143.51	145.56
4.	†	145.92	*	145.67
5.	152.75	147.07	144.06	†
6.	152.83	147.16	144.38	145.30
7.	153.16	†	144.91	144.93
8.	152.75	148.93	144.99	144.33
9.	153.06	148.62	†	143.71
10.	153.34	148.32	144.88	143.72
11.	†	150.01	*	143.38
12.	154.24	150.54	144.16	†
13.	153.75	149.55	144.14	*
14.	153.90	†	144.33	142.80
15.	153.96	149.93	144.21	142.51
16.	154.12	150.40	†	140.39
17.	154.31	149.82	143.95	140.59
18.	†	149.64	144.01	141.50
19.	154.06	149.57	144.18	†
20.	154.15	149.42	*	140.91
21.	154.22	†	144.11	141.92
22.	154.69	149.94	144.29	142.21
23.	†	149.68	†	142.85
24.	†	149.99	143.90	143.28
25.	†	*	143.62	142.99
26.	†	149.91	143.41	†
27.	†	150.03	143.72	142.52
28.	†	†	143.73	142.86
29.	†	150.13	144.01	143.19
30.	†	150.48	†	143.37
31.	†	150.36	†	143.49

† Sunday. * Markets closed.

HIGH LOW

1942.. 154.69	Jan. 22	151.54	Jan. 2
1941.. 150.54	Dec. 12	123.03	Feb. 17
1940.. 124.84	Dec. 31	112.42	Aug. 19

INDUSTRIAL AND COMMERCIAL FAILURES

NUMBER OF FAILURES			CURRENT LIABILITIES <i>Thousands of dollars</i>			TOTAL LIABILITIES <i>Thousands of dollars</i>			DUN'S INSOLVENCY INDEX †						
									UNADJUSTED			ADJUSTED ‡			
	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939	1941	1940	1939
Jan.	1,124	1,237	1,567	11,888	15,279	20,790	12,535	15,805	24,860	62.2	67.1	86.0	51.8	54.6	69.9
Feb.	1,129	1,042	1,202	13,483	13,472	13,582	14,323	13,600	13,589	71.3	66.7	78.0	62.0	58.0	67.8
Mar.	1,211	1,197	1,322	13,444	11,681	19,002	14,754	12,130	19,315	62.5	62.6	72.6	61.3	61.4	71.9
Apr.	1,149	1,291	1,331	13,827	16,247	18,579	15,068	17,114	21,837	61.5	70.1	73.1	58.6	67.4	71.0
May	1,119	1,238	1,334	10,065	13,068	15,897	10,215	13,437	20,734	59.9	66.9	70.5	58.7	65.6	69.8
June	970	1,114	1,119	9,449	13,734	12,581	10,183	25,101	12,737	53.9	62.5	66.5	55.0	64.4	69.3
July	908	1,175	1,153	13,422	16,213	14,999	14,097	17,756	23,634	50.4	63.0	63.0	56.0	70.8	70.8
Aug.	954	1,128	1,126	11,134	12,997	12,637	11,949	13,223	13,092	49.0	60.6	61.4	57.0	71.3	72.2
Sept.	735	976	1,043	9,393	11,397	10,545	10,904	15,473	11,729	40.7	54.3	59.0	48.4	64.6	70.2
Oct.	809	1,111	1,234	7,333	12,715	17,464	7,772	14,236	18,119	44.8	61.7	67.0	48.2	67.1	72.8
Nov.	842	1,024	1,184	9,197	16,572	13,201	10,514	17,987	14,874	48.4	61.9	72.6	46.1	59.5	69.8
Dec.	1,086	1,153	.....	.....	13,309	13,243	.....	14,480	14,934	...	58.0	65.0	...	57.4	64.3
Total	13,619	14,768	.....	166,684	182,520	.....	190,342	209,454	.....	63.0	60.6	.....	.....	.....	.....

† Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING *the* RECORD *of* INDUSTRIAL and COMMERCIAL FAILURES

FAILURES REMAIN LOW IN SPITE OF SEASONAL RISE

MODERATE seasonal increases during November raised the number of industrial and commercial failures to a total of 842 from 809 in October. Liabilities also increased in November, but while rising to \$9,197,000 from the October low of \$7,333,000 they remained for the third consecutive month under ten million dollars. Total liabilities, which include securities in the hands of the public, reached \$10,514,000. A year ago failures numbered 1,024 with current debts of \$16,572,000 and total debts of \$17,987,000.

The November increase can best be interpreted by the movements of the insolvency index. The index relates the number of failures to the number of concerns in business and corrects for the month-to-month changes in the number of working days.

The November increase in the actual number of failures resulted in an increase of 3.6 points in the index, which

represented a change in the rate of failures from 44.8 failures in every 10,000 concerns in business in October to 48.4 in November. This rise, however, like the October rise of 4.1 points, was wholly seasonal. In fact it fell short of the normal November rise, so that the seasonally adjusted index dropped 2.1 points, from 48.2 in October to 46.1 in November. This decline in the adjusted index followed a 6.6 point drop in September and a .2 drop in October. Thus the general trend of failures continued downward, and the index reached a new low in November.

A year ago failures were likewise in a sharply defined downward movement. It was occurring, however, on a much higher level.

An increase in the number of failures has been expected in some quarters because of reports of closings due to inability to secure either material for manufacture or finished goods for dis-

tribution. The failure record, however, pictures the net result of all factors influencing the present situation. If there is any increase owing to shortages, it is apparently being offset thus far, anyway, by a decrease owing to such factors as increased purchasing power and rising prices. Also, only such closings as result in loss to creditors or in legal proceedings find their way into the failure records.

Both manufacturing and retail trade failures rose in November, but the manufacturing rise of 21 per cent greatly exceeded the retail rise of 2 per cent in the rate of increase. For each group this was the second consecutive monthly increase from annual lows reached in September. Manufacturing failures accounted for a larger proportion of total failures than in any other month this year, comprising 19.8 per cent of the total compared with 14.3 per cent in January. Retail trade failures

have decreased their proportion of the whole during the year from 68.6 per cent in January to 62.8 in November.

Commercial service failures were also up sharply in November, following an equally sharp drop in October. Wholesale trade failures dropped in November to their lowest 1941 point,

continuing a gradual decline under way since April. Construction failures, erratic most of the year, dropped sharply in November.

The November record, while responding as a whole to the upward seasonal pull, contained increases in only a few cases. In the great majority

of manufacturing and distribution lines failures were reduced in November or remained on October levels.

In manufacturing, for instance, in spite of the 21 per cent rise, practically no change took place in eight of the eleven important lines. However, in non-ferrous metal and textile products and in chemicals there were noticeable increases, with the textile increase being distributed among all types of both men's and women's clothing and accessories.

In retail trade the 2 per cent rise was confined almost entirely to drug stores, restaurants, and garages. In the distribution lines failures were somewhat fewer than in October. A very substantial drop occurred in dry goods and general merchandise lines.

INDUSTRY GROUP	Nov. 1941	Nov. 1940	Per Cent Change
Manufacturing	167	196	-15
Wholesale Trade	57	69	-17
Retail Trade	529	646	-18
Construction	51	53	-4
Commercial Service	38	40	-5
Total	842	1,024	-18

November failures were only 18 per cent under those a year ago, whereas October failures were down 27 per cent. This lessening in spread was attributable to both a rise in current failures and a decrease a year ago.

Manufacturing failures were down 15 per cent from a year ago, and were particularly low in iron and steel products and machinery. In only one group, food products, were failures more numerous.

Failures in all retail lines (group total down 18 per cent) were well under those a year ago except in eating and drinking places and drug stores.

Such increase as there was in November occurred in the balance of the country, rather than in the 25 largest cities as a whole. In nine of the large cities, however, there was some rise. Five others reported substantial decreases and the rest showed little change from October. Compared with a year ago failures in large cities were down 29 per cent, others down 13 per cent.

By size, the November advance was felt among concerns of all sizes except

FAILURES BY DIVISIONS OF INDUSTRY—NOVEMBER 1941 AND 1940

(Current liabilities in thousands of dollars)

	Number			Liabilities		
	Nov. 1941	Oct. 1941	Nov. 1940	Nov. 1941	Oct. 1941	Nov. 1940
TOTAL UNITED STATES	842	809	1,024	9,197	7,333	16,572
MINING AND MANUFACTURING (total)	167	138	196	3,827	2,879	9,090
*Mining—Coal, Oil, Miscellaneous	4	3	6	328	146	3,067
Food and Kindred Products	39	39	29	763	1,027	1,512
Textile Mill Products and Apparel	33	23	44	528	238	838
Lumber and Lumber Products	19	18	22	366	333	358
Paper, Printing and Publishing	15	13	19	562	142	250
Chemicals and Allied Products	15	8	15	226	73	444
Leather and Leather Products	5	5	7	63	117	75
Stone, Clay, and Glass Products	3	3	1	83	28	25
Iron and Steel, and Products	1	4	14	84	128	369
Machinery	7	8	11	203	229	175
Transportation Equipment	2	2	4	56	269	1,399
Miscellaneous	24	12	24	565	149	578
WHOLESALE TRADE (total)	57	69	89	832	729	1,349
Food and Farm Products	23	24	36	216	187	615
Apparel	4	2	3	192	47	16
Dry Goods	1	4	3	20	27	17
Lumber, Building Materials, Hardware	6	6	5	201	128	24
Chemicals and Drugs	2	1	4	5	6	62
Motor Vehicles and Automotive Equip.	4	5	8	55	49	67
Miscellaneous	17	27	30	143	285	548
RETAIL TRADE (total)	529	516	646	3,472	2,790	4,699
Food and Liquor	181	185	211	757	786	855
General Merchandise	17	25	35	78	178	507
Apparel and Accessories	57	60	73	399	345	846
Furniture, Home Furnishings	27	31	48	306	202	440
Lumber, Building Materials, Hardware	22	29	41	265	205	384
Automotive Group	45	35	62	231	213	414
Eating and Drinking Places	92	77	94	782	457	632
Drug Stores	42	27	35	355	160	230
Miscellaneous	46	47	47	299	244	391
CONSTRUCTION (total)	51	57	53	618	577	838
General Building Contractors	12	17	14	340	350	315
Building Sub-contractors	37	39	38	230	224	417
Other Contractors	2	1	1	48	3	106
COMMERCIAL SERVICE (total)	38	29	40	448	358	596
Passenger and Freight Trans.—Highway	4	10	6	25	172	42
Miscellaneous Public Services	1	1	1	10	10	10
Hotels	1	1	2	24	13	215
Cleaning, Dyeing, Repairing	4	4	5	21	13	36
Laundries	7	6	7	245	125	41
Undertakers	2	1	5	13	2	62
Other Personal Services	8	2	5	80	8	8
Business and Repair Services	12	5	10	40	28	192

* Subtract this item to obtain manufacturing total.

the very small. Very large failures were stepped up from 6 last month to 9; substantial failures increased from 49 to 58, or 18 per cent; and those with debts between \$5,000 and \$25,000 were up 18 per cent. Because of fewer defaults among small wholesalers and retailers small failures were down 5 per cent.

SIZE GROUP LIABILITIES	Nov. 1941	Nov. 1940	Per Cent Change
Under \$5,000	467	540	-13
\$5,000-\$25,000	308	403	-24
\$25,000-\$100,000 . . .	58	62	-8
\$100,000 and over . . .	9	19	-53
Total	842	1,024	-18

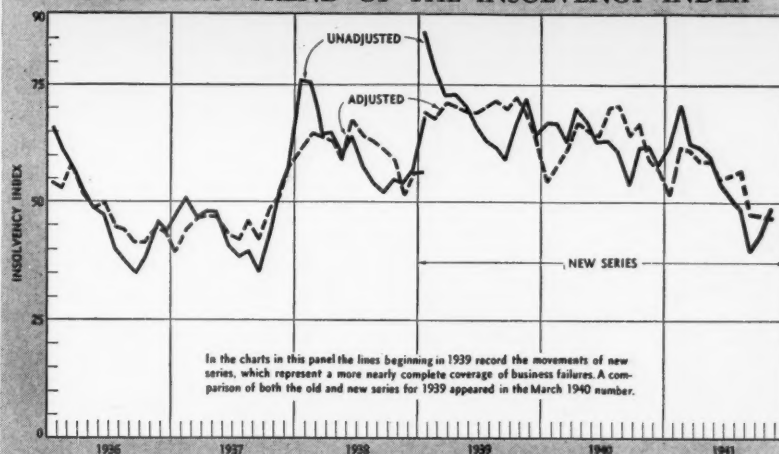
In only seven of the Federal Reserve districts did a seasonal rise materialize. District increases approximated the normal in the New York, Philadelphia, and Chicago districts, and exceeded it in Boston, St. Louis, Kansas City, and Dallas districts. In the remaining five, downward trends were definitely defined. The Boston and Kansas City increases were substantial enough to raise the level of failures above those of a year ago.

FEDERAL RESERVE DISTRICTS	Jan.-Nov. 1941	Jan.-Nov. 1940	Per Cent Change
Atlanta	429	601	-29
Richmond	351	495	-29
Chicago	1,410	1,804	-22
Minneapolis	173	211	-18
Philadelphia	737	843	-13
New York	3,996	4,535	-12
St. Louis	358	403	-11
Dallas	254	287	-11
San Francisco	1,251	1,343	-7
Kansas City	478	502	-5
Cleveland	598	622	-4
Boston	915	887	+3
Total	10,950	12,533	-13

Canadian Failures

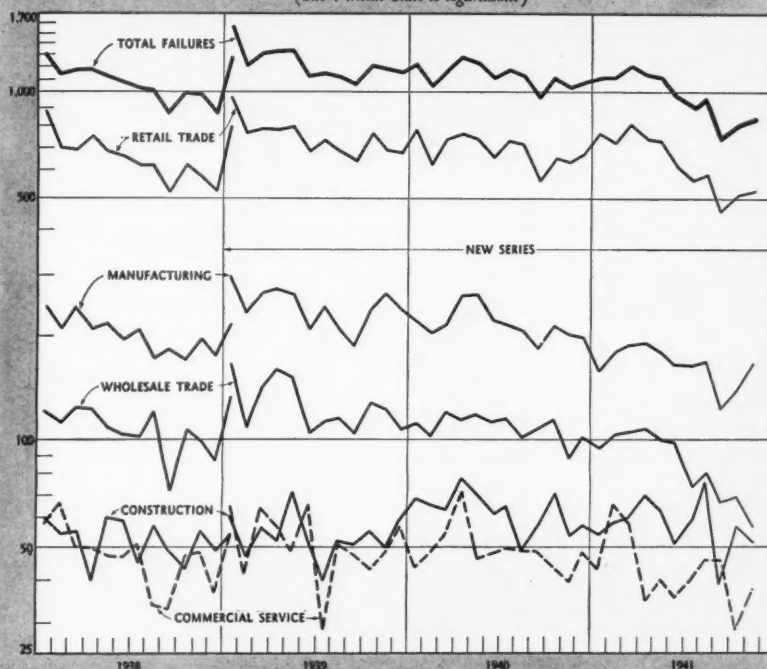
Canadian failures rose 40 per cent in November to a total of 80 from the year's low of 57 in October. The level was, however, 13 per cent under the 92 reported in November, 1940. November liabilities amounted to \$539,000, compared with \$365,000 in October and \$915,000 a year ago. While failures in some of the Eastern Provinces showed little change from October, the monthly increase was considerable in the Province of Quebec and in the Western sections of the Dominion. Industrially, the rise was well distributed among the main industry groups.

MONTHLY TREND OF THE INSOLVENCY INDEX



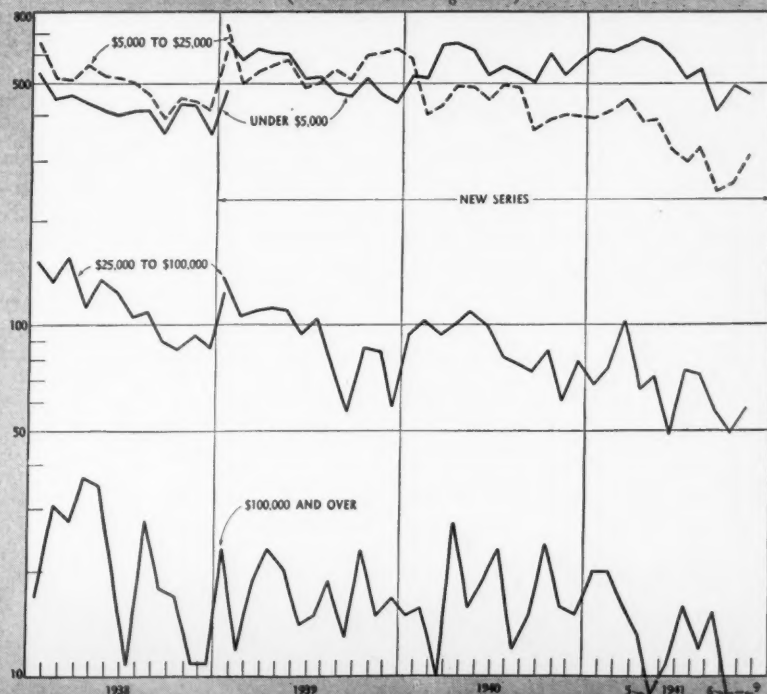
FAILURES BY INDUSTRIAL GROUPS

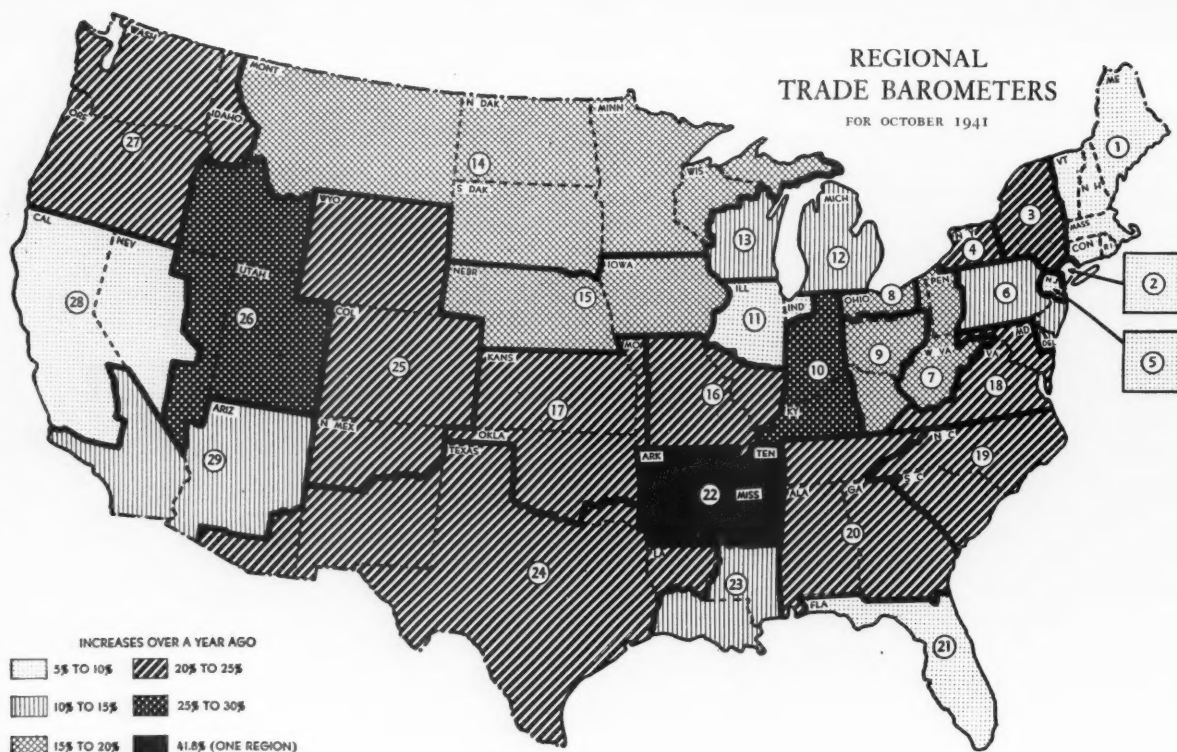
(The Vertical Scale is logarithmic)



FAILURES BY SIZE OF LIABILITIES

(The Vertical Scale is logarithmic)





CHRISTMAS TRADE BREAKS ALL RECORDS

The United States Trade Barometer advanced to an all-time high of 126.5 in December from 122.9 in November. Barometer figures are compiled by L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by the branch offices of DUN & BRADSTREET, INC.

CHRISTMAS spending in 1941 surpassed all previous records despite the dampening effect of the outbreak of war, boosting the seasonally adjusted trade barometer to 126.5. However sales did not reach the heights anticipated earlier in the season and peak dollar volume was generally credited to higher prices as unit sales were close to 1940 levels.

The sobering effect of the first shock of war checked the upturn in trade which advanced the U. S. Trade Barometer to 122.9 in November from 107.3 in October. Retail trade fell below last year for a few days. Panicky buying was moderate, confined to a few items and for the most part to coast cities, but consumer interest was diverted in some measure from traditional gift lines to civilian defense merchandise and scarcity items. Sales of groceries, knitting yarn, flashlights, and uniforms increased substantially while a considerable amount of Christmas money went into defense bonds. A rush to buy rubber goods reflected the

first rationing order for retail trade, which applied to sales of new automobile tires.

A strong resurgence of holiday buying in the pre-Christmas week however overshadowed war-inspired demands and carried volume to record levels.

Swift changes in trade gains in some sections of the country were felt immediately after the outbreak of war, while increasing dislocation of business due to change-overs from civilian to war production was the forerunner of shifts in other areas. Air-raid alerts and black-outs temporarily depressed sales gains in the Pacific, Middle Atlantic, and New England States. Metropolitan areas throughout the country were more affected by the news than suburban and rural sections. The South, Middle West, and Southwest continued to report the widest trade gains over 1940 in November and December.

Trade barometers for twenty-nine regions now available

for October show that the major change in the Midwest occurred in Detroit, where the increase in trade over 1940 failed to exceed the national gain for the first time since 1938, dropping to 10 per cent as trade expansion fell below seasonal expectations. Indianapolis and Louisville replaced Detroit as leader for the Midwest with a gain of 28 per cent over 1940. St. Louis reported the widest month-to-month trade gain in any region—15 per cent.

Memphis again outstripped all other regions in the country and in the South as the trade index bettered seasonal expectations and ran 42 per cent above 1940 in October. In most Southern regions trade fell short of the seasonal trend but increased more than 20 per cent over 1940. Exceptions were New Orleans and Florida.

In Eastern areas which account for 20 per cent of all consumer spending—New York City, Northern New Jersey, and New England—trade gains remained below the country average as buying fell behind the usual trend.

Salt Lake City led Western regions with a gain of 29 per cent over last year. Texas ranked first in the Southwest with a gain of 25 per cent over 1940, as the Southwest generally made a better month-to-month improvement in trade than the entire country.

(Charts and trade reports for each region begin on page 34)

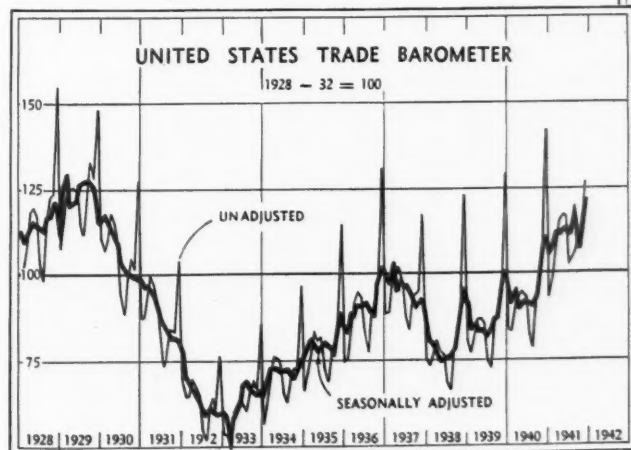
THE MAP AND CHART compare the October, 1941, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1939, on pages 34, 35, 36, 38. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The average for the five years 1928-1932 equals 100. The preliminary figure for the United States is available one month before the regional figures.

THE PARAGRAPHS which are printed opposite the twenty-nine regional charts give figures for November and the first half of December based upon opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices. Estimates of future employment changes are from Government sources.

REGIONAL TRADE BAROMETERS

Region	Oct. 1941 Regional Index	Oct. 1941 Compared with Oct. 1940 (%)	Retail 1935 Sales %
U. S.	107.3	+13.8	100.0
1. NEW ENGLAND	87.9	+8.5	7.8
2. NEW YORK CITY	85.7	+9.2	10.3
3. ALBANY AND SYRACUSE	115.7	+20.8	2.5
4. BUFFALO AND ROCHESTER	104.4	+23.1	1.9
5. NORTHERN NEW JERSEY	91.3	+6.0	2.9
6. PHILADELPHIA	102.1	+14.7	6.2
7. PITTSBURGH	104.5	+15.3	3.7
8. CLEVELAND	123.4	+15.8	2.9
9. CINCINNATI AND COLUMBUS	128.7	+19.1	3.1
10. INDIANAPOLIS AND LOUISVILLE	141.3	+28.3	2.6
11. CHICAGO	99.4	+8.0	6.4
12. DETROIT	123.6	+10.9	4.0
13. MILWAUKEE	105.5	+14.2	2.2
14. MINNEAPOLIS AND ST. PAUL	118.6	+18.0	4.5
15. IOWA AND NEBRASKA	98.1	+18.5	3.0
16. ST. LOUIS	122.5	+21.3	2.5
17. KANSAS CITY	102.2	+20.8	3.6
18. MARYLAND AND VIRGINIA	138.7	+22.1	3.8
19. NORTH AND SOUTH CAROLINA	130.9	+22.6	2.1
20. ATLANTA AND BIRMINGHAM	142.3	+20.4	3.5
21. FLORIDA	161.1	+7.8	1.3
22. MEMPHIS	151.2	+41.8	1.5
23. NEW ORLEANS	109.8	+13.2	1.0
24. TEXAS	133.1	+24.7	4.5
25. DENVER	122.8	+20.6	1.3
26. SALT LAKE CITY	126.3	+29.1	.8
27. PORTLAND AND SEATTLE	119.1	+21.9	2.7
28. SAN FRANCISCO	104.7	+8.8	3.4
29. LOS ANGELES	109.4	+14.3	3.9



THE REGIONAL TRADE BAROMETERS

Trends in consumer purchasing in the 29 barometer regions are summarized on the preceding page. Charts on this page and pages 35, 36, and 38 compare the index for each region with the index for the United States since 1939. The accompanying paragraphs give more recent detail about regional trade conditions.

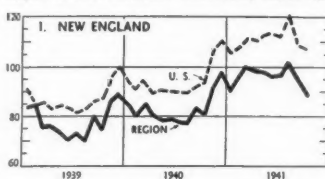
Indexes may be obtained in advance of their publication in *DUN'S REVIEW* by arrangement with the editor. Additional information about the barometers and about their especial usefulness in regional sales quota work, back figures and data on regional boundaries are available for users of the indexes.

1. NEW ENGLAND

OCT., 87.9 SEPT., 95.5 OCT. 1940, 81.0
UNADJUSTED: OCT., 94.7; SEPT., 90.8

NOVEMBER—Percentage retail trade increases over previous November: Bangor-Boston 7, Portland 25, Manchester 25, New Bedford-Springfield 12, Worcester 15, Providence 11, Hartford 15, New Haven 15. New England wholesale trade up 20%. Massachusetts employment 17% above 1940, New Haven 41%, Hartford 34%, steady to higher in month. Seasonal employment decline in shoe factory towns. Textile mills expanded output. Two new Portland shipyards increasing output. Collections vary. DECEMBER—Record industrial activity. Shift of small concerns to war work causing some temporary unemployment. Retail trade 5 to 10% above 1940.

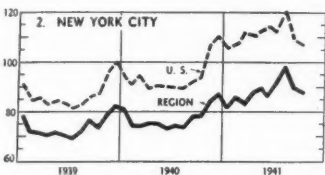
ADJUSTED FOR SEASONAL VARIATION: 1928-32-100



2. NEW YORK CITY

OCT., 85.7 SEPT., 90.3 OCT. 1940, 78.5
UNADJUSTED: OCT., 96.5; SEPT., 94.5

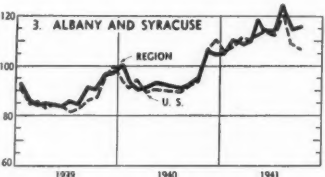
NOVEMBER—Percentage retail trade increases over previous November: Bridgeport 15, New York City department store sales 2, hotel sales 7. Factory payrolls and production up in month in Bridgeport, off slightly in New York City as clothing and construction materials output declined seasonally. New York City retail trade employment increased 4% in month, 3% over 1940. Wholesale clothing, millinery, and shoe markets quiet. Collections fair. DECEMBER—About 9% of New York City industrial workers engaged in war work; bank clearings up 12% from a year ago, department store volume 1%. Sales of garment manufacturers increasing.



3. ALBANY AND SYRACUSE

OCT., 115.7 SEPT., 114.5 OCT. 1940, 95.8
UNADJUSTED: OCT., 123.1; SEPT., 116.1

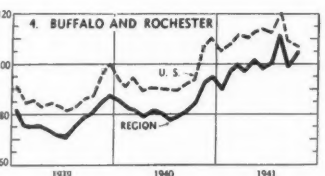
NOVEMBER—Percentage retail trade increases over previous November: Albany 15, Binghamton 25, Utica, Syracuse 17. Wholesale trade increases: Albany 25, Syracuse 15. Milk prices advanced. Employment increased in month due to gains in defense plants; up 29% over 1940 in Utica, 39% in Albany-Schenectady-Troy area, 21% in Syracuse, 13% in Binghamton-Endicott-Johnson City area. Utica textile and arms plants at capacity. New industrial plant being built at Massena. Collections steady to better than 1940. DECEMBER—Fulton County leather glove output well below usual levels for the season. Syracuse bank clearings up 25% from 1940.



4. BUFFALO AND ROCHESTER

OCT., 104.4 SEPT., 99.1 OCT. 1940, 84.8
UNADJUSTED: OCT., 112.5; SEPT., 103.5

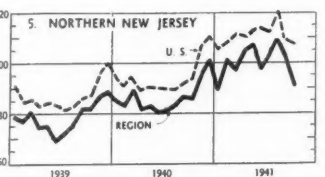
NOVEMBER—Percentage retail trade increases over previous November: Buffalo 18, Elmira 35, Rochester 5. Buffalo wholesale trade up 15%. Farm prices well above a year ago, milk prices advanced in month. Employment and payrolls declined slightly in month; payrolls 40 to 50% above 1940. Large lay-offs at Buffalo metal plants; gains in Rochester metal concerns more than offset by seasonal losses at clothing, shoe, and canning firms. Collections better than last year. DECEMBER—Buffalo steel mill operations at 93% of capacity; flour milling increasing, still below 1940. Department store sales 5% above 1940 in Buffalo, 11% in Rochester.



5. NORTHERN NEW JERSEY

OCT., 91.3 SEPT., 102.6 OCT. 1940, 86.1
UNADJUSTED: OCT., 97.6; SEPT., 105.1

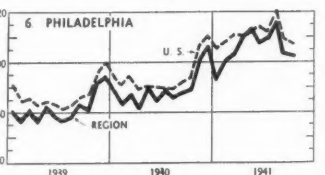
NOVEMBER—Percentage retail trade increases over previous November: Newark 11, Paterson 15. Newark wholesale trade up 15%. Payrolls and production well above 1940, steady in month. Concerns with war work at capacity, including aircraft, shipyards, machine plants. Factories adversely affected by priorities slowing output; paint manufacturers' shipments off 30% in month due to materials shortages. Bank clearings 9% above 1940 in northern New Jersey, 12% in Newark. Collections better than 1940. DECEMBER—Newark department store sales about even with 1940. About 6,000 automobile workers laid off for two weeks in Linden and Union County.



6. PHILADELPHIA

OCT., 102.1 SEPT., 103.5* OCT. 1940, 89.0
UNADJUSTED: OCT., 107.2; SEPT., 96.6*

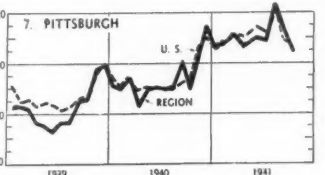
NOVEMBER—Percentage retail trade increases over previous November: Trenton 14, Allentown 15, Philadelphia 10, Reading 13, Scranton-Williamsport 0, Wilkes-Barre 20, Harrisburg 7, Lancaster 17, York 18, Wilmington 12. Philadelphia wholesale trade up 10%. Harrisburg payrolls 40% above 1940, Johnstown 37%, Lancaster 38%, Philadelphia 51%, Reading-Lebanon 32%, Scranton 16%, Wilkes-Barre 64%, Williamsport 47%, Wilmington 62%. Hard coal output cut sharply. Trenton pottery factories very active. Collections vary. DECEMBER—Iron ore mines near Dillsburg to be reopened. Philadelphia department store sales less than 5 per cent above 1940. *Revised.



7. PITTSBURGH

OCT., 104.5 SEPT., 113.3 OCT. 1940, 90.6
UNADJUSTED: OCT., 106.9; SEPT., 106.8

NOVEMBER—Percentage retail trade increases over previous November: Erie 25, Pittsburgh 15, Youngstown 7, Huntington 10, Charleston 10. Wholesale trade increases: Erie 10, Pittsburgh 22, Charleston 25. Payrolls in the Pittsburgh area



42% above 1940, up 58% in Erie, 41% in Kane-Oil City area. Employment generally steady in month. Steel mill operations declined slightly, still close to capacity levels; glass output off in month. Collections slowing, steady to better than 1940. DECEMBER—War declaration narrowed retail trade gains over 1940; Pittsburgh up about 10%, Erie 14%. Erie factories increased work-week.

(Continued directly opposite)

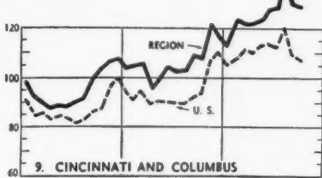
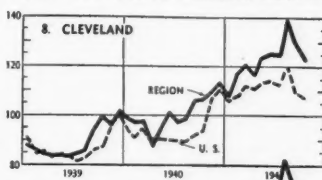
8. CLEVELAND

OCT., 123.4 SEPT., 130.9 OCT. 1940, 106.6

UNADJUSTED: OCT., 118.5; SEPT., 129.6

NOVEMBER—Percentage retail trade increases over previous November: Cleveland 12, Akron 17, Canton 21, Toledo 10, Lima 17. Wholesale trade increases: Cleveland 30, Akron-Toledo 15. Corn, soybean yields much better than 1940. Payrolls and production well above 1940; employment up 23% in Cleveland; 14% in Toledo; 62% in Canton due to stimulation of war work. Production steady to higher in month. Cleveland plant to employ 6,000 started operations. Collections steady to better than 1940. DECEMBER—Cleveland department store sales 10% above 1940, Akron 15%. Toledo employment best since 1929, Cleveland at new high.

ADJUSTED FOR SEASONAL VARIATION: 1928-32=100

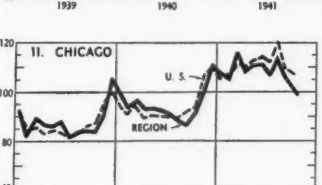
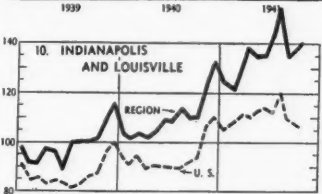


10. INDIANAPOLIS AND LOUISVILLE

OCT., 141.3 SEPT., 134.6 OCT. 1940, 110.1

UNADJUSTED: OCT., 144.3; SEPT., 137.7

NOVEMBER—Percentage retail trade increases over previous November: Louisville 25, Evansville-Indianapolis-Terre Haute 5, Fort Wayne 15. Wholesale trade increases: Louisville 25, Indianapolis 20. Tobacco prices best in 5 years. Record corn crop in Kentucky. Payrolls and production steady in month; generally well above 1940. Material shortages caused substantial lay-offs in cities such as Kokomo, Elkhart, Evansville. Evansville unemployment increased about 2,500. Collections steady to better than 1940. DECEMBER—Large Terre Haute glass factory to be reopened in January. Indianapolis department store sales 9% above 1940, Louisville 6%.

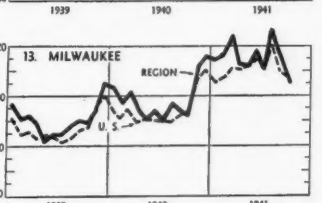
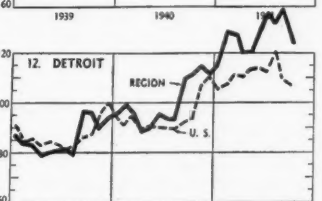


12. DETROIT

OCT., 123.6 SEPT., 136.7 OCT. 1940, 111.5

UNADJUSTED: OCT., 111.2; SEPT., 134.0

NOVEMBER—Percentage retail trade increases over previous November: Detroit 10, Grand Rapids 0, Saginaw 15. Wholesale trade increases: Detroit 30, Grand Rapids 10. Apple, sugar beet yields good. Rainy weather delayed harvesting. Payrolls and production below last year and last month in automotive centers, otherwise above 1940. Automobile production 49% below 1940. Grand Rapids metal, furniture plants very active. Collections steady to better than last year. DECEMBER—Sharply reduced automobile production quotas causing temporary unemployment for 260,000 workers by 1942 as concerns shift to arms output. Detroit department store sales 4% above 1940.



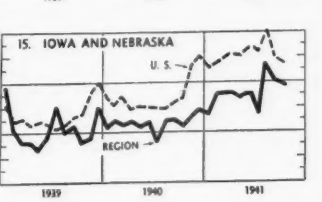
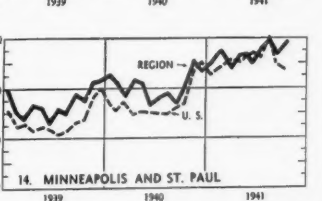
14. MINNEAPOLIS AND ST. PAUL

OCT., 118.6 SEPT., 113.7* OCT. 1940, 100.5

UNADJUSTED: OCT., 126.5; SEPT., 122.9*

NOVEMBER—Percentage retail trade increases over previous November: Duluth-Sioux Falls 15, Minneapolis 12, La Crosse 7, St. Paul 18, Fargo 0, Billings 5; Butte-Great Falls off 4. Wholesale trade increases: Duluth 5, Minneapolis 10, Great Falls 8. Sugar beet yield below last year, flaxseed yield much better than average. Payrolls and production higher than last year, steady in month. Sugar beet refineries expanding operations in Montana. Duluth shipbuilding orders total \$2,000,000. Copper, lead, zinc output increased. Flour milling active. Collections vary. DECEMBER—St. Paul retail trade 8 to 15% above 1940, wholesale trade up 6%.

*Revised.



9. CINCINNATI AND COLUMBUS

OCT., 128.7 SEPT., 130.9 OCT. 1940, 108.1

UNADJUSTED: OCT., 126.1; SEPT., 120.4

NOVEMBER—Percentage retail trade increases over previous November: Cincinnati 10, Dayton 20, Springfield 20, Columbus 6, Zanesville 10. Wholesale trade increases: Cincinnati 20, Columbus 20. Crop yields very satisfactory; prices much higher than 1940. Payrolls and production generally above a year ago, steady to up in month. Defense industries, particularly machine tools and airplane parts, working at capacity; automotive and other lines affected by priorities reducing output. Collections steady to better than 1940. DECEMBER—Few war orders in Zanesville. Cincinnati department store sales up 5% from 1940, Columbus 10%.

11. CHICAGO

OCT., 99.4 SEPT., 105.5 OCT. 1940, 92.0

UNADJUSTED: OCT., 102.4; SEPT., 105.3

NOVEMBER—Percentage retail trade increases over previous November: Chicago 5, Rockford 25, Peoria 5, South Bend 24, Springfield 0. Chicago wholesale trade up 5%. Heavy rains delayed harvesting of corn and beans in Peoria area. Illinois farm income in first nine months 12% above 1940. Payrolls and production much above 1940, steady in month. Clothing, millinery, textile firms less active. Transportation equipment plants increased operations. Payrolls off 15% in Moline due to decline in metal lines. Collections vary. DECEMBER—Chicago department store sales 1% above 1940. Steel mills operating at 103% of theoretical capacity.

13. MILWAUKEE

OCT., 105.5 SEPT., 117.4 OCT. 1940, 92.4

UNADJUSTED: OCT., 108.6; SEPT., 117.4

NOVEMBER—Percentage retail trade increases: Milwaukee 20, Madison 5, Green Bay 14. Milwaukee wholesale trade up 25%. Record milk production; prices much higher than last year. Payrolls and production well above a year ago, steady with last month. Creamery butter output continues smaller than in 1940, cheese production substantially larger. Green Bay paper mills operating at capacity; backlogs assure rate for at least two months. Towns affected by priorities such as Manitowoc, Kenosha, Racine received defense contracts. Collections better than 1940. DECEMBER—Milwaukee department store sales 7% higher than a year ago.

15. IOWA AND NEBRASKA

OCT., 98.1 SEPT., 100.7 OCT. 1940, 82.8

UNADJUSTED: OCT., 100.8; SEPT., 101.2

NOVEMBER—Percentage retail trade increases over previous November: Burlington 20, Cedar Rapids 7, Davenport-Dubuque 10, Waterloo 25, Des Moines 12, Sioux City 5, Lincoln-Omaha 0. Wholesale trade increases: Sioux City-Des Moines 10, Omaha 0. Rainy weather delayed corn and soybean harvests, slowed country business. Payrolls and production well above 1940, generally steady in month, declined in Davenport and Dubuque due to materials shortages, in Omaha as aircraft construction workers were laid off. Collections steady to better than 1940. DECEMBER—War work increasingly important in Cedar Rapids. Nebraska department store sales 9% above 1940.

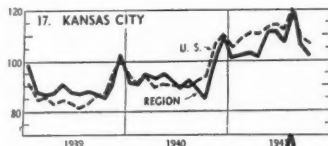
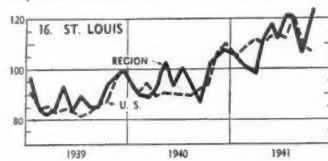
16. ST. LOUIS

OCT., 122.5 SEPT., 106.9 OCT. 1940, 101.0

UNADJUSTED: OCT., 123.6; SEPT., 109.5

NOVEMBER—Percentage retail trade increases over previous November: St. Louis 15, Springfield 6, Quincy 5. St. Louis wholesale trade up 10%. Missouri farm income in first nine months 30% above 1940. Harvesting delayed by rain. Payrolls and production substantially above 1940, up in month in St. Louis area where increasing war output in newly constructed plants more than offset slackening in some lines due to materials shortages. Collections steady to better than last year. DECEMBER—St. Louis department store sales up 6% from 1940. Corn picking delayed by wet weather. Several St. Louis war plants go on seven-day week.

ADJUSTED FOR SEASONAL VARIATION: 1928-32 = 100

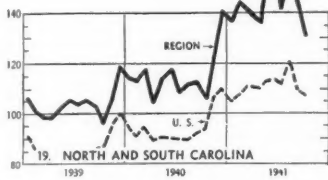
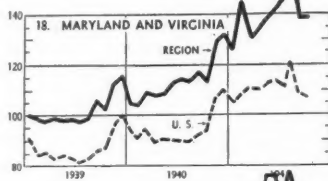


18. MARYLAND AND VIRGINIA

OCT., 138.7 SEPT., 139.2 OCT. 1940, 113.6

UNADJUSTED: OCT., 151.6; SEPT., 134.7

NOVEMBER—Percentage retail trade increases over previous November: Baltimore-Washington 12, Norfolk 25, Richmond 2, Lynchburg 16, Roanoke 10, Bristol 5. Wholesale trade increases: Baltimore 10, Norfolk-Richmond 20. Pastures very poor. Crop yields below 1940, prices higher. Payrolls and production above 1940, up in month in Baltimore. Tobacco manufacturers operating at capacity. Textile and paper mills very active, with substantial war orders. Collections steady to better than 1940. DECEMBER—Steel, aviation, shipbuilding, other defense industries working topspeed. Baltimore department store sales 10% above 1940.

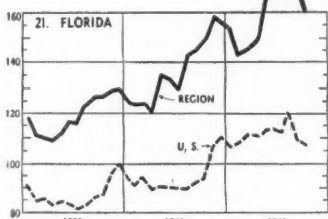
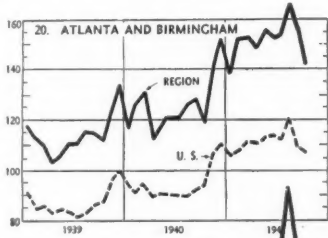


20. ATLANTA AND BIRMINGHAM

OCT., 142.3 SEPT., 156.2 OCT. 1940, 118.2

UNADJUSTED: OCT., 159.4; SEPT., 156.2

NOVEMBER—Percentage retail trade increases over previous November: Atlanta 12, Chattanooga-Knoxville-Nashville 15, Augusta 30, Columbus 20, Macon 25, Birmingham 12, Savannah 0, Mobile 10. Wholesale trade increases: Atlanta 25, Birmingham 15, Nashville 10. Farm income for first nine months 8% above 1940 in Georgia, 31% in Alabama and Tennessee. Payrolls and production much above 1940, steady to up in month. Cotton, building materials industries very active. Collections better than 1940. DECEMBER—New Birmingham coke oven battery started operations; steel rate at capacity. Atlanta department store sales 1% above 1940, Birmingham 26%.

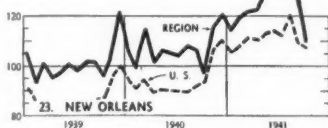
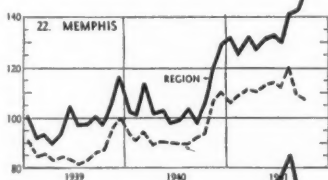


22. MEMPHIS

OCT., 151.2 SEPT., 142.7 OCT. 1940, 106.6

UNADJUSTED: OCT., 184.8; SEPT., 141.4

NOVEMBER—Percentage retail trade increases over previous November: Memphis 10, Fort Smith 13, Little Rock 14. Memphis wholesale trade up 10%. Arkansas cash farm receipts in first eleven months 38% above 1940. Payrolls and production above last year. Employment in oil, coal, furniture industries steady in month, lumber off slightly. All Fort Smith factories working full time. Collections steady to better than 1940. DECEMBER—Good cotton crop at high prices aiding trade in eastern section, defense project gains offset poor crop in western section. Memphis department store sales 12% greater than 1940, Little Rock 14%.



17. KANSAS CITY

OCT., 102.2 SEPT., 106.6 OCT. 1940, 84.6

UNADJUSTED: OCT., 107.0; SEPT., 111.4

NOVEMBER—Percentage retail trade increases over previous November: Kansas City 5, Topeka 2, Wichita 10, Oklahoma City 3, Tulsa 8; St. Joseph off 5. Wholesale trade increases: Kansas City-Oklahoma City 0. Heavy rainfall prevented wheat sowing, corn harvesting. Poultry, eggs, and dairy products prices rising. Payrolls and production above 1940; generally steady in month, up in Wichita. Oil output 4% above 1940 in Oklahoma, 25% in Kansas. Collections vary. DECEMBER—Kansas City department store sales 7% above 1940, Oklahoma City-Tulsa 11%, St. Joseph off 2%. Housing project of 400 units to be built in Kansas City.

19. NORTH AND SOUTH CAROLINA

OCT., 130.9 SEPT., 143.4 OCT. 1940, 106.8

UNADJUSTED: OCT., 153.9; SEPT., 146.1

NOVEMBER—Percentage retail trade increases over previous November: Asheville-Winston-Salem 10, Charlotte 18, Raleigh 5, Wilmington 30, Charleston 30, Greenville 20, Columbia 3, Greensboro 15. Wholesale trade increases: Wilmington 40, Charleston 0, Winston-Salem 20. Crop yields under 1940; prices much above. Payrolls and output well above 1940. Most textile mills running full time with three shifts. Tobacco manufacturers operating steadily. Shipbuilding expanding. Collections steady to above 1940. DECEMBER—Hosiery mill employment increasing. War industries hiring 7,000 from September-February. Charleston bank clearings 16% above 1940.

21. FLORIDA

OCT., 161.1 SEPT., 169.7 OCT. 1940, 149.4

UNADJUSTED: OCT., 147.2; SEPT., 134.2

NOVEMBER—Percentage retail trade changes from previous November: Jacksonville +5, Tampa +10, Miami -6. Wholesale trade changes: Jacksonville +12, Tampa -5. Citrus prices declined, crop movement increasing. Orange yield above last year, grapefruit below but improved in month. Vegetable shipments moderate. Saw and pulp mills continue at capacity. Tampa cigar factories increased output. Tampa shipyard payrolls increasing. Jacksonville port activity almost 50% below 1940. Collections steady to slower in month. DECEMBER—Miami Christmas business moderately above last year. Jacksonville bank clearings off 10% from 1940.

23. NEW ORLEANS

OCT., 109.8 SEPT., 126.7 OCT. 1940, 97.0

UNADJUSTED: OCT., 122.4; SEPT., 125.4

NOVEMBER—Percentage retail trade increases over previous November: New Orleans 20, Jackson 5. New Orleans wholesale trade up 25%. Payrolls and production well above last year, steady in month. Sugar cane about ready for cutting; yield well above 1940. Construction of shipyards, airbases, training schools, enlargement of plant facilities as well as maintenance of cantonments and airbases benefiting business. Collections steady with last year and last month. DECEMBER—Oil output 24% above 1940; refineries very active. Shipyard activity expanding. New Orleans bank clearings up 32% over 1940, Vicksburg 14%.

WE-ALL

The Japanese attack on the United States instantly changed our trend of thought in this country.

Before that attack some of us thought in terms of "I", others in terms of "we". Neither of those terms expresses our feelings today.

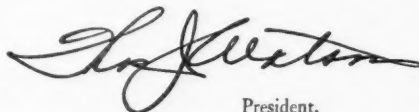
"I" represents only one person.

"We" may mean only two or a few persons.

Our slogan now is WE-ALL, which means every loyal individual in the United States.

We are facing a long, hard job, but when the United States decides to fight for a cause, it is in terms of WE-ALL, and nothing can or will stop us.

President Roosevelt, our Commander-in-Chief, can be certain that WE-ALL are back of him, determined to protect our country, our form of government, and the freedoms which we cherish.



President,

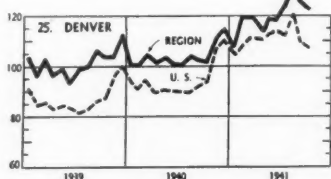
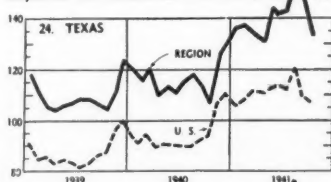
International Business Machines Corporation

24. TEXAS

OCT., 133.1 SEPT., 135.8 OCT. 1940, 106.7
UNADJUSTED: OCT., 147.7; SEPT., 141.1

NOVEMBER—Percentage retail trade increases over previous November: Dallas-Waco 5, Fort Worth 10, Lubbock-Shreveport-Wichita Falls 20, Houston 12, Austin 4, San Antonio 14, Galveston-El Paso 0; Amarillo off 5. Wholesale trade increases: Dallas 10, Houston 14, San Antonio 22, Fort Worth-Shreveport 15. Heavy rains delayed harvests. Citrus crop above 1940. Payrolls and output well above 1940, up in month in Fort Worth, Dallas. Oil output increasing. Collections steady to better than 1940. DECEMBER—Dallas department store sales 5% above 1940, Fort Worth 17%, Houston 9%. New plant costing \$23,000,000 to be built on Houston ship canal.

ADJUSTED FOR SEASONAL VARIATION; 1928=100



25. DENVER

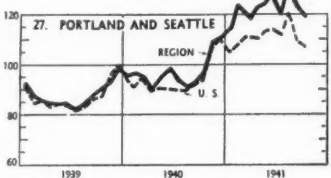
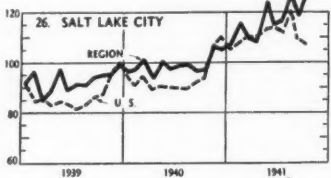
OCT., 122.8 SEPT., 125.7 OCT. 1940, 101.8
UNADJUSTED: OCT., 126.9; SEPT., 128.3

NOVEMBER—Percentage retail trade increases over previous November: Denver 3, Albuquerque 5. Denver wholesale trade up 15%. Colorado fruit and vegetable shipments larger than 1940. Crops generally good, although damaged in some sections by wet weather. Payrolls and production steady to better than 1940, up in month in Denver area. Railway shops very active. Lumber mills in Albuquerque reduced to one shift due to lack of logs. Heavy industries with war orders working full time. Collections steady to better than 1940. DECEMBER—Livestock and ranges in very good condition. Denver department store sales up 10% from 1940.

26. SALT LAKE CITY

OCT., 126.3 SEPT., 119.1 OCT. 1940, 97.8
UNADJUSTED: OCT., 130.2; SEPT., 121.5

NOVEMBER—Salt Lake City retail trade 5% larger than last November. Wholesale trade up 10%, retarded in food lines by teamster strike. Potato and sugar beet yields below last year in Idaho, steady to above in Utah. Livestock and ranges very good, prices much better than 1940. Payrolls and production substantially higher than 1940, steady in month. Heavy industries, mining, and construction continue particularly active. Collections better than 1940. DECEMBER—New \$91,000,000 plant planned at Provo, Utah. Salt Lake City bank clearings up 25% from 1940.



27. PORTLAND AND SEATTLE

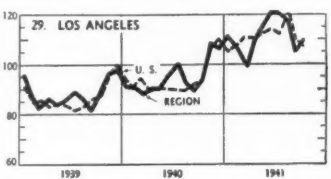
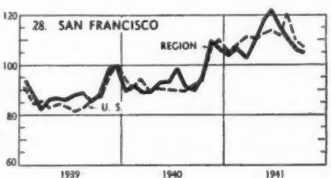
OCT., 119.1 SEPT., 122.7 OCT. 1940, 97.7
UNADJUSTED: OCT., 125.5; SEPT., 129.2

NOVEMBER—Percentage retail trade increases over previous November: Seattle 16, Tacoma 5, Spokane 5, Portland 15. Wholesale trade changes: Seattle +20, Portland —9. Apple, pear crop prices to canners more than double 1940. Payrolls and production above last year. Lumber output off slightly. Pulp, paper, aircraft industries exceptionally active. Employment at Seattle-Tacoma shipyards to double by February. Collections steady to better than 1940. DECEMBER—Although black-outs retarded trade, Portland department store sales 25% above 1940, Seattle 20%.

28. SAN FRANCISCO

OCT., 104.7 SEPT., 105.8 OCT. 1940, 96.2
UNADJUSTED: OCT., 106.2; SEPT., 105.7

NOVEMBER—Percentage retail trade increases over previous November: San Francisco 2, Sacramento 0; Fresno off 2. San Francisco wholesale trade up 35%. Fruit crop sold readily at good prices. Cotton picking delayed by wet weather. Payrolls 80 to 90% above 1940 in San Francisco area where war industries are steadily expanding; even with 1940 and lower in month in Sacramento as canneries closed; below last year and last month in Fresno. Collections steady with 1940. DECEMBER—Outbreak of war and air-raid alarms cut retail trade gains. San Francisco retail sales about even with last year. Aircraft and shipbuilding at capacity.



29. LOS ANGELES

OCT., 109.4 SEPT., 104.9 OCT. 1940, 95.7
UNADJUSTED: OCT., 108.9; SEPT., 103.7

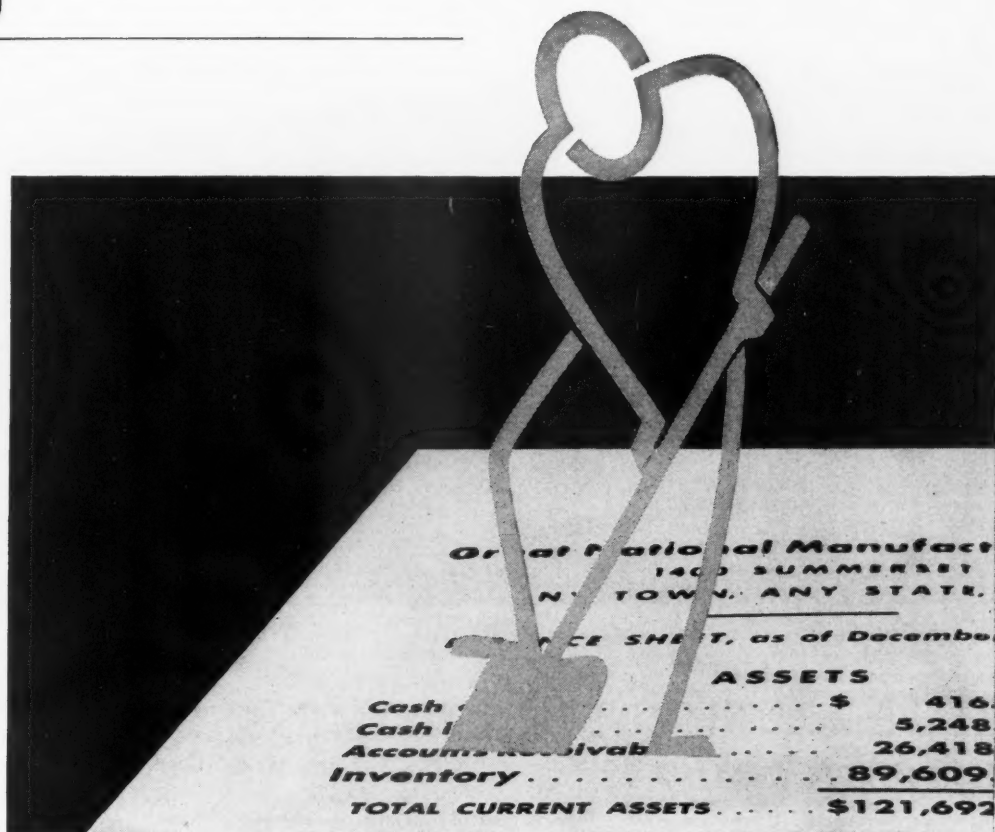
NOVEMBER—Percentage retail trade increases over previous November: Los Angeles 7, San Diego 15, Phoenix 15. Los Angeles wholesale trade up 35%. Citrus prices declined, crop outlook slightly better than last year. Lettuce prices good. Livestock condition excellent. Payrolls and production well above 1940; payrolls in Los Angeles area about double 1940, due to sharply increased activity in aircraft, shipbuilding, steel, and construction. Mining at capacity under present price schedules. Collections better than 1940. DECEMBER—Air-raid alarms hurt trade. Los Angeles department store sales 8% above 1940. Motion picture activity above last year.

PHOTOGRAPH BY ELIZABETH R. HIBBS



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Buffalo • Boston • Philadelphia • Kansas City, Mo • St. Louis • New Orleans • Charlotte, N.C • Jacksonville, Fla.
Minneapolis • Dallas • Houston • Denver • Fresno • Portland, Oregon • Seattle • Spokane • Honolulu



RHEOTRON—Most powerful and compact of the machines for accelerating electrons to high speeds is a GE-built rheotron which has made copper radioactive.

HERE *and* THERE in BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Maelstrom—A four-ton electric machine which whirls electrons around at ferocious speeds, giving them an energy corresponding to 20,000,000 volts, has been constructed by a University of Illinois professor at the General Electric Research Laboratory in Schenectady. Radiations from the machine have made copper radioactive, endowing it for a few minutes with some of the characteristics of radium.

So far the machine has two names—"rheotron" and "betatron," besides the descriptive term "induction electron accelerator." The apparatus does for negative electrons what the cyclotron does for positive ions, although in a different way. The cyclotron, it seems, is incapable of accelerating electrons.

The rheotron has at its heart a doughnut-shaped, glass vacuum tube between the poles of an electromagnet. Electrons, which are negatively charged particles, are whirled around inside the doughnut while voltage in the five-foot long magnet builds up steadily, each increase kicking the electrons around an extra few hundred miles a minute.

The magnet assembly of the rheotron operates on alternating current and is built of thousands of thin sheets of silicon steel, in contrast to the solid iron required for the direct current-operated cyclotron.

When electrons from the rheotron collide with a metallic object, they produce X-rays which would be equal in intensity, as determined by ionizing power, to the gamma radiation in a corresponding beam from 1,000 grams of radium, more than the world's total existing supply.

The rheotron's designer, Dr. Donald D. Kerst, became interested in science when, as a boy in Wauwatosa, Wis., he helped a neighbor build an amateur radio station. Now he's helping General Electric to build a bigger rheotron, his third, to cost more than \$250,000 and buzz the electrons around for more than 100,000,000 volts.

Aqua-Clear—For preventing the formation of rust and corrosion in new metal water tanks and pipes, and at the same time, if necessary, for keeping rust

out of the water that flows from old tanks and pipes, there's a liquid available called Aqua-Clear.

In a clean piping system, one ounce of the product, which is clear, tasteless, and harmless, is added to every 100 gallons of water flowing through the system.

Aqua-Clear, according to its manufacturer, Sudbury Laboratory, South Sudbury, Mass., isn't supposed to compete with chlorine or any chemical used for the purification of water. Its mission is to prevent rust and rusty water in water systems. Its action is described as the spreading of a microscopic film over metal surfaces, thus keeping the water from coming into contact with the metal.

Demagnetizer—After tools and work have been in contact with a magnetic chuck or have been resharpened or ground to shape, they sometimes become magnetized, attracting and holding almost imperceptible metallic chips and dust. To counteract this magnetism, which may indirectly cause the dust-abraded article to overheat or dull, the Ideal Commutator Dresser Company, Sycamore, Ill., has announced development of a 17-pound demagnetizer which is portable.

Non-Smudging—A new non-smudging typewriter ribbon has been on the market for about three or four months. Known as Dele-tape, it's made by a new company called Malcolm, Inc., New York. Typed material not only won't smear under the fingers, but it can be erased without the benefit of prayer and scrubbing.

Dele-tape ribbons are accompanied by a chemical which acts as an ink eradicator, bleaching the typewritten word right off the page. This is for paper on which even a slight erasure is undesirable. And, incidentally, just as a chemical trick, although they don't sell it with the ribbon, Malcolm, Inc., also has a reverse fluid which will bring the bleached-out word right back again.

Electrochemical—With mercury priced now-a-days at about \$2.50 a pound, a method for reclaiming the liquid mineral after use is welcomed. In Chicago, two employees of Commonwealth Edison Company have built a device which recovers the mer-

YOUNG EXECUTIVE WANTS NEW JOB

30, Protestant, likes hard work and responsibilities. Resourceful—can find things to do without being told. Accustomed to overtime in emergencies.

Now aiding executive vice-president in cost control, co-ordinating departmental activities, studying methods of assuring profits. ● Came up through advertising, sales and sales management (market analysis studies, sales control methods, front line selling, preparation of direct mail and magazine advertising). ● Has been closely associated with leading management and personnel engineer for two years. Saw production increased five times; sales doubled by proper market analysis. Watched disrupted organization become smooth running group of executives and employees. ● Job desired is as assistant to responsible executive in sales or administrative department. Address Box 500, Dun's Review, 290 Broadway, New York City.

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FOR the first time in tack history!—here's a device that holds, dispenses and drives tacks—in one convenient, rapid, automatic operation. It's the Hansen One-Hand Automatic TACK Tacker.

Self-contained—automatic—holding a long strip of T-head Tacks and driving them as fast as you grip—the Hansen Tack-Tacker permits holding material with one hand and driving with other.

For fast, precision driving—on production work of all kinds requiring tacking or fastening—here's the latest, most efficient device imaginable! Drives T-head Tacks in four lengths—3/16", 1/4", 3/8" and 1/2". Investigate!

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cury from waste acid solutions and from waste mercury residues.

The Edison Company uses considerable quantities of mercury in mercury arc rectifiers. It must be kept scrupulously clean. The new method for redeeming waste mercury cleans the metal and then reclaims an amount which would have been lost.

A miniature electrochemical refinery removes impurities from the mercury by filtration, washes it with acid and distills it in glass vacuum stills. Waste acid is poured into an electrolytic cell. When the electric current is turned on, relatively pure mercury flows out of the cell at the bottom through a mercury trap. Considerable savings have already been effected at Commonwealth Edison by means of this device.

Rivet Carrier—A conveyor which shoots red hot rivets around corners at 75 feet a second for distances as great as 400 feet horizontally and 75 feet vertically is a production feature of railroad shops in South Louisville, Ky.

The conveyor is a heat resisting steam hose with a slotted metal tube at the sending end, into which the rivet goes head first. There is a stopping cup at the receiving end. About 85 pounds pressure of compressed air whizzes the rivet to the riveter.

The pneumatic conveyor, as a test, has sent a rivet through 300 feet of coiled hose. With it, one heater can supply three widely separated jobs at once. The device was originated by the general foreman of the boiler department at Louisville & Nashville Railroad's South Louisville shop.

Disc Brake—For faster, cooler stopping, a few railroad cars are equipped now with brakes which apply fabric-lined blocks to brake discs, as in automotive practice. This differs from the more usual railroad brake, in which an iron brake shoe is pressed against the wheel itself.

The new brake will stop a train travelling 100 mph in 3,000 feet. Built by the Edward G. Budd Manufacturing Company, Philadelphia, Pa., its main use thus far has been on the Santa Fe and Burlington Railroads. One car with this type of brake is also in operation on the Pennsylvania Railroad.

The disc brake is designed to dissipate heat, the brake being regarded as

HOW YOUR EMPLOYEES CAN GET A \$50 LOAN FOR \$4.48 (TOTAL COST)

HOW MUCH does it actually cost your employees to borrow from a small loan company? The rate of charge is higher, of course, than that your company pays for commercial funds. The cost of making and collecting many loans for small amounts is bound to be far greater than the cost of making and collecting a few loans for large amounts. Despite this, the charges on small personal loans, in actual dollars and cents, are probably considerably lower than you have thought.

Take a \$50 loan repaid in six monthly installments of \$9.08 each. The borrower gets \$50 and repays a total of \$54.48. The cost of his loan is thus \$4.48. This charge includes everything. There is nothing more to pay. A \$100 loan, repaid in six monthly installments of \$18.15 each, a total of \$108.90, costs \$8.90.

Prepayment reduces cost

Borrowers at Household Finance pay charges only for the actual time they have the money. The sooner a loan is repaid the less it costs. Payment schedules are usually arranged to fit the borrower's income and pay day. If he should receive a bonus and wish to repay part or all of his loan ahead of schedule, he may do so. The charges are reduced in exact proportion to the extent of the prepayment.

No endorsers required

The job of Household Finance is to supply, at reasonable cost, a legitimate source of credit for wage-earners. At Household workers can borrow from \$20 to \$300 largely on character and earning ability. No endorser is needed. The loan is made in a simple, private transaction. Last year Household made over 800,000 such loans to workers in all branches of industry.

The table below shows some typical loan plans. The borrower may choose the schedule which best fits his own situation. Payments include all charges. Charges are made at the rate of 2 3/4% per month (less in many territories on larger loans). Household's charges are below the maximum rates authorized by the Small Loan Laws of most states.

We will gladly send you more information about Household Finance service without obligation. Please use the coupon.

WHAT BORROWER GETS

	WHAT BORROWER REPAYS MONTHLY				
	2 payments	6 payments	12 payments	15 payments	18 payments
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 8.08	\$ 6.97
150	77.82	27.23	14.62	12.11	10.45
200	103.77	36.31	19.50	16.15	13.93
250	129.71	45.39	24.37	20.19	17.42
300	155.65	54.46	29.25	24.23	20.90

Above payments include charges of 2 3/4% per month and based on prompt payment are in effect in seven states. Due to local conditions, rates elsewhere vary slightly.

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HOUSEHOLD FINANCE CORPORATION, Dept. DR-A
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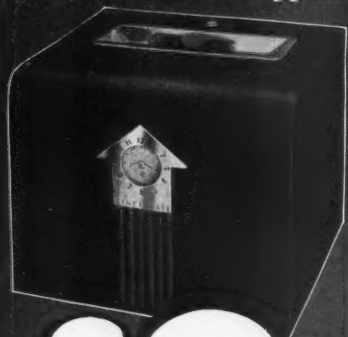
Please tell me more about your loan service for wage earners—without obligation.

Name

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City State

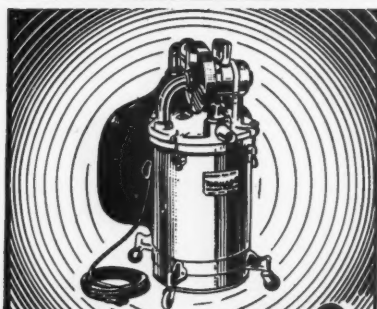
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PORTABLE INDUSTRIAL VACUUM CLEANER
reduces
DUST DANGER

QUICKLY cleans walls, floors, line shafting, pipes, overhead beams, etc. Reduces health and fire hazards. Improves working conditions and morale. Cuts waste. Salvages valuable scrap. Increases efficiency.

A real one-man unit. Weighs only 40 lbs. 1 H. P. universal motor. 40" waterlift, 175 c.f.m. Removes dust, chips, lint, etc. Does a thorough cleaning job. Attachments for cleaning everything.

Convertible into Blower for blowing dust and dirt out of motors, generators and hard-to-reach places. Adaptable for spraying paint and insecticide.

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TORNADO

an engine which, instead of converting heat into mechanical energy, creates mechanical energy into heat. (When you stop a car or train, you turn energy into heat.) On a ten-car train, the peak brake horsepower demand may be in the neighborhood of 80,000 horsepower, as compared to the 4,000 horsepower developed by its locomotive.

Budd's new brake has a cast iron disc mounted behind each wheel. Two fabric-surfaced brake shoes are squeezed against each disc by a sort of ice tongs arrangement. The heat which this action creates is dissipated inside the disc by vanes and fins through which air is constantly being blown as the disc turns with the wheel.

White Paper—About sixteen years ago a research man working for the Philadelphia Quartz Company discovered that silicate of soda in a hypochlorite bleach would make paper whiter. The research, however, was discontinued because there wasn't much need for the discovery at that time and, too, some of the tests were unsatisfactory. Paper continued to take its whiteness from ample supplies of chlorine.

But this year past, chlorine was pre-empted for defense and war uses. Paper buyers began to gloom over a product as dingy as the future. The situation gave new significance to the silicate of soda tests. Perhaps the old research would pay off after all.

New commercial trials were made—



CURD—In the manufacture of synthetic rubber from liquid butadiene gas, the end-product, which a B. F. Goodrich-Phillips Petroleum subsidiary—Hydrocarbon Chemical and Rubber Company, calls Hycar, is a rubbery curd floating on soapy liquor. From this it is skimmed and placed in forms to solidify in slabs.

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2. Our principals have directed their own commercial businesses.
3. We spend more time in the field than most agencies.
4. Testing is a fundamental with us—for greater advertising results.
5. We know how to use advertising to do many jobs (other than move merchandise).
6. We serve a diversified group of national accounts—from class to industrial, from package goods to service.

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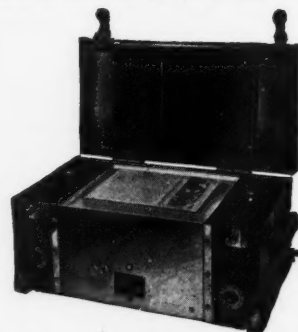
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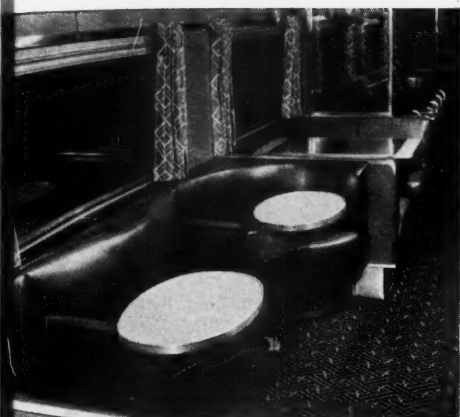
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FROM SHERWIN-WILLIAMS COMPANY

TAVERN-LOUNGE—Gray and copper opalescent ceilings and upper walls, and lower walls of seal brown, contrast with green leather seats and rust lounge chairs in the tavern-lounge of the New York Central Line's new streamlined, steam-powered Empire State Express.

successfully. The story, reported in *The Research Viewpoint* of Boston chemist Gustavus J. Esselen, Inc., comes to a profitable period as paper with the desired degree of whiteness is produced at a 15 per cent saving in the amount of chlorine required, thanks to the addition of a small percentage of "Metso," a type of silicate of soda.

Read on the Run—Alnico V, an alloy to which the General Electric Company credits three times the total available energy of any previously known permanent-magnet material, is being used by a New York City dentist to hold dentures in place. . . . A product standardization project has been adopted voluntarily by The Master Rule Manufacturing Company, New York, N. Y. Its large hardware dealers can stock only twelve of the company's thirty-two products; the small stores can stock only four. . . . A du Pont employee has invented a class-room lecture desk that incorporates a screen for reproduction of diagrams or notes which the lecturer writes on a ten-inch wide cellophane strip on the desk top. It's called "Scriptoscope."

The Foundry Employees' Service Building of Caterpillar Tractor Company, Peoria, Ill., has a subterranean water cleaning system. Cigarette butts and other refuse are swept or dropped through grates in the floor to the water flowing underneath. . . . For a brief period early this Winter one of the non-fiction best-sellers was a revival of the 400-year-old Oracles of Nostradamus.

Paper's working harder, too

Who? Why? When? Where? How many? How much? Today those questions demand instant, accurate answers . . . and paper has the job of providing them quickly, efficiently and in easily understood form.

For that reason, paper now assumes even greater importance in business and industry and on the men responsible for the proper selection of paper falls an even greater responsibility.

If you are concerned in any way with the selection or purchase of

paper for record keeping, accounting, clerical or correspondence purposes, remember that the Byron Weston Company specializes in the manufacture of high grade, cotton fibre content papers designed expressly for these uses. The complete line of Weston ledger, index, bond and machine accounting paper contains a range of grades, weights and colors for every need or application.

Your printer or paper supplier will assist you in selecting the right Weston paper for any purpose.

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FOR HELPFUL INFORMATION on the selection, procurement and use of high grade papers, ask us to send you *Weston's Papers*, a special publication of news, ideas and information for paper buyers. Write for it today. Address:

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Makers of BYRON WESTON CO. LINEN RECORD (Extra No. 1, 100% Cotton and Linen Clippings), DEFIANCE LEDGER (100% Cotton Fibre Content), WAVERLY LEDGER (85%), CENTENNIAL LEDGER (75%), WINCHESTER LEDGER (50%), BLACKSTONE LEDGER (25%), WESTON'S MACHINE POSTING LEDGER and INDEX (50%), WESTON'S BOND (Extra No. 1), DEFIANCE BOND (100%), HOLMESDALE BOND (75%), WINCHESTER BOND (50%), BLACKSTONE BOND (25%).

FINANCIAL MANAGEMENT PROBLEMS IN A WAR ECONOMY

(Continued from page 22)

represent sound banking risks. These situations often may be handled by partial or progress payments.

As the momentum of the defense program began to roll along, it became evident that the volume of emergency orders obtained by many manufacturers with light or inadequate net working capital would call for greater financial assistance than could be readily obtained from partial or progress payments. To break this anticipated jam the Federal Government in June, 1940, authorized advance payments up to 30 per cent on army and navy contracts when in the "interest of national defense." Since that time, cash advances from the Federal Government have provided the actual sinews of war for many producers of defense equipment and supplies.

The radio manufacturing industry provides an interesting example. A particular concern was organized to manufacture experimental parts and accessories with a modest capital of \$30,000 in the early ear-phone laboratory stage of radio reception. As the radio industry developed with national advertising and installment sales, this manufacturer became widely known as a specialist in developing and producing a certain limited number of essential parts and accessories.

Over the years, however, the earnings were quite sporadic, in one year moderate profits would be recorded, and in the following year the final result would call for the purchase of a bottle of clear red ink. Early in 1939 the tangible net worth amounted to \$76,000, the increase from the initial paid-in capital of \$30,000 having resulted al-

most entirely from the sale of additional stock for cash and not from retained earnings. For the year 1940, an annual sales volume of \$250,000 was forecast and on this basis quite a reasonable net profit was anticipated. Some surprises were in store.

When the sales were run up on the adding machine for 1940, it was realized that the annual volume had actually

"BONDS—WHICH?" by Oscar Cesare in the New York Evening Post advertised the Fourth Liberty Loan Drive at the time the AEF open letter to President Wilson was circulated throughout the United States. "If the folks back home," it read in part, "fall short on the billions you need, Mr. President, call on us for the balance. We like our pay—but we can go without it." The response: \$6,989,047,000.



amounted to \$400,000, a 60 per cent increase over the budgeted figure of \$250,000. This spectacular increase in sales was occasioned by contracts obtained from the War and Navy Departments in July, 1940. These defense contracts aggregated \$650,000 and were only partially completed during 1940. The unfilled portions, combined with the anticipated regular commercial business, it was now expected, would bring the volume for 1941 to the neighborhood of \$800,000.

A Difficult Problem

This sudden growth in net sales on a limited, year-end net working capital of \$40,000 brought about difficult financing problems for the management. No amount of skillful legerdemain could handle the expanding volume on such limited net working capital without incurring exceptionally heavy liabilities. There was no other answer. The budgeted sales volume of \$250,000 for 1940 would have given a turnover of

net working capital of 6.25 times for the year, which would have been high. The actual turnover for 1940 was 10 times, and the anticipated turnover for 1941 was 20 times on this same net working capital figure. Whether liabilities were light or heavy made no difference to the army or the navy; they needed the particular products of this corporation in a big way and needed them in a hurry.

In this predicament the liabilities incurred in the initial heavy purchases of raw materials to produce the contracted volume, and at the same time to satisfy the regular customers, went up like an oil gusher. The financial con-

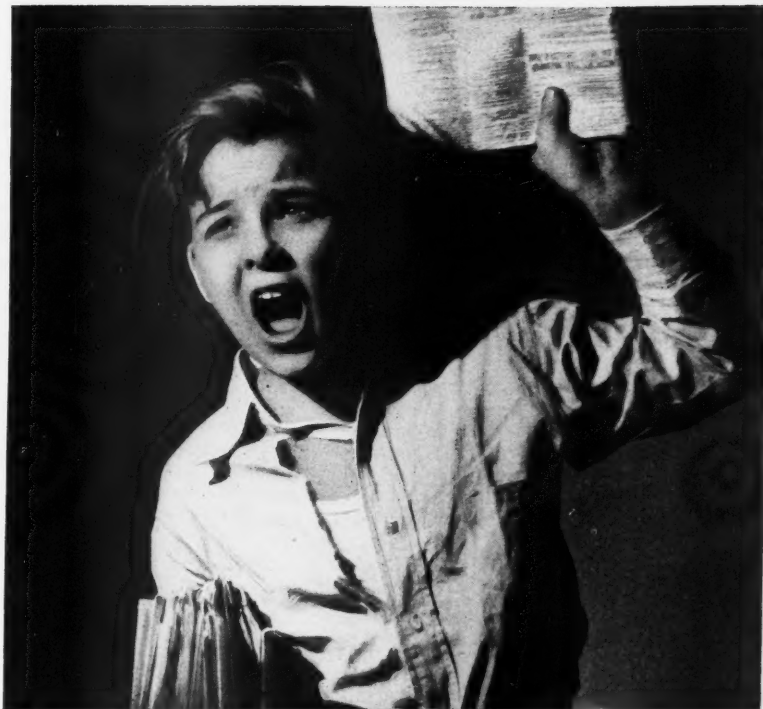
dition ran out of hand in the latter part of 1940 necessitating a general extension on the outstanding trade indebtedness for four months. The rather involved, financial picture characterized by an exceptionally heavy inventory and excessive indebtedness was now thoroughly analyzed by an up-and-coming local banker. The banker finally agreed to extend a line of credit of \$100,000 secured by amounts due under Government contracts and the assignment of receivables from the Federal Government as shipments were made.

Even this credit, which was considerably in excess of the tangible net worth of the corporation, was insufficient to work out the situation. The treasurer of the corporation now discussed the financing problems with representatives of both the army and the navy. It was finally decided that the bank credit should be supplemented by 30 per cent cash advances by the Federal Government on the face amounts of the contracts. With these additional funds, the enlarged program for 1941 is being handled, and from present indications at a reasonable profit.

In Better Condition

Many recipients of advances from the Federal Government are in far more healthy financial condition than this manufacturer of radio parts and accessories. Many manufacturers actually have a choice between using adequate bank credit or an advance from the Federal Government. The potential bank credit might be on unsecured notes, on the assignment of claims against the Federal Government, or on any other bankable basis. With these alternatives available, the management might select the advance and use it in lieu of bank credit as no interest must be paid on the advance from the Federal Government. In such a case the line of bank credit would be held in reserve. The concern, however, must be a prime contractor. A surety bond is required for the full amount of the advance payment. The cost at 1½ per cent of the advance eats very materially into the savings in interest.

Advances from the Federal Government cannot be made to sub-contractors. In theory the sub-contractor may, by individual negotiations with the prime contractor, arrange for the latter to advance him his proportionate share of



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YOUR company's Annual Report is Big News to your stockholders. It's equally important in all phases of your public relations. As your final word of the year, it's potentially interesting and worthy of careful study.

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CHEMICAL & BANK & TRUST COMPANY

Founded 1824
165 Broadway, New York

CONDENSED STATEMENT OF CONDITION At the close of business, December 31, 1941

ASSETS

Cash and Due from Banks	\$377,335,459.90
U. S. Government Obligations, Direct and Fully Guaranteed	321,211,477.96
Bankers' Acceptances and Call Loans	34,218,090.49
State and Municipal Bonds	79,636,147.00
Other Bonds and Investments	120,904,973.58
Loans and Discounts	156,455,076.38
Banking Houses	539,243.85
Other Real Estate	4,995,921.87
Mortgages	1,533,644.46
Credits Granted on Acceptances	1,762,294.70
Other Assets	3,136,043.59
	<u>\$1,101,728,373.78</u>

LIABILITIES

Capital Stock	\$20,000,000.00
Surplus	50,000,000.00
Undivided Profits	9,161,723.81
Dividend Payable January 2, 1942	900,000.00
Reserves, Taxes, Interest, etc.	4,988,016.24
Acceptances Outstanding	\$8,269,309.70
(less own acceptances held in portfolio)	5,975,029.02
Other Liabilities	274,489.02
Deposits (including Official and Certified Checks Outstanding \$26,783,252.80)	1,014,109,864.03
	<u>\$1,101,728,373.78</u>

U. S. Government Obligations and other securities carried at \$111,253,065.53 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Charter Member New York Clearing House Association
Member Federal Reserve System
Member Federal Deposit Insurance Corporation

the 30 per cent advance. In theory the second sub-contractor may, in the same manner, negotiate for his share from the first sub-contractor, and so on through successive lower layers. In everyday practical operations, the difficulties encountered by a sub-contractor in obtaining his proportionate share of an advance, are very great. These difficulties center around two stumbling blocks, (1) more than a nominal amount of legal red tape and, (2) the all too human disinclination of business men to accept the responsibility for passing out Government funds unless they are assured there will be no liability.

It is very unfortunate that advances from the Federal Government cannot be proportionately relayed with more ease and speed to sub-contractors since it was estimated by defense officials in September, 1941, that 27 per cent of the volume of defense contracts had been turned over to sub-contractors, and the percentage was steadily increasing. Prime contractors and sub-contractors who anticipate any financial problems should become well acquainted with the Financial Section of the Office of Production Management in Washington. This Section is providing a helpful, interested, practical service to

manufacturers of war equipment and supplies. All forms of private and governmental aid are facilitated.

Industrial concerns in healthy financial condition prior to the receipt of war contracts, where these contracts have not been abnormally heavy for the size of the manufacturer, have presented no new credit problems. On the other extreme are business enterprises which had been operating in a strained financial condition, and which are now devoting practically all of their rapidly expanding facilities to the battle for production, like many of the airplane and parts manufacturers, shipbuilding companies, and smaller manufacturers of precision machinery.

Mercantile Creditor Problems

Whether mercantile credit should or should not be extended to many of the concerns in this latter group, cannot be answered by the normal yardsticks of credit measurement. A thorough knowledge of the operations of these concerns and a qualified opinion regarding the skill and the ability of the management to fulfill contract requirements in a satisfactory manner, are needed to make an intelligent, liberal, but sound analysis.

These problems of credit interpretation are widespread and they come home to roost in a most concentrated troublesome manner to producers and distributors of products on the extensive and continuously growing priorities critical list of the Office of Production Management. Most important among this strategic group are manufacturers of steel, aluminum, brass, magnesium, methanol, nickel, tin, tungsten, vanadium, zinc, and chlorine. While credit problems from a mercantile viewpoint are intensified with debtors that are working on orders for war equipment and supplies, they also exist and affect concerns outside of this circle.

Concerns Working on War Products—Orders for materials to be used in the manufacture of equipment or supplies for the War or Navy Departments, or for any country being assisted under the Lend-Lease Act, must be accepted whenever received from a prime contractor or a sub-contractor, unless the order conflicts with one of the following four points. These points were enumerated and explained by the Office

of Production Management in Priorities Regulation No. 1 dated August 28, 1941:

1. Impossibility of delivering the order on schedule by reason of previously accepted orders bearing higher or equal preference ratings.

2. Unwillingness or inability of the buyer to meet regularly established prices and terms of sale or payment.

3. If the material ordered is not of the kind usually produced or capable of being produced by the manufacturer.

4. If the order specifies deliveries within fifteen days, and if such compliance would require the termination before completion of a specific production schedule already under way.

The Priority Division of the Office of Production Management in the same regulation requested that all refusals to accept "defense" orders be reported immediately to it. Upon the prospective mercantile creditor thus falls the responsibility of declining orders, if the credit risk, after careful analysis seems unsound, and if it appears that payments cannot be made in accordance with established terms of sale as outlined in the second of the above four points.

Example Cited

From a careful study of these four points, it is clear that if an industrial concern that has a priority order for the purchase of strategic materials is in an extended financial condition, that order, *ipso facto*, does not need to be filled. The prospective creditor may insist that the buyer, if a prime contractor, obtain financing from the Reconstruction Finance Corporation, from a Federal Reserve Bank, or that arrangements be made for a cash advance from the Federal Government, if its own bank or banks will grant no loan. With such financing arranged or completed, the priority order would then be filled on regular terms, against a partial cash down payment, or be shipped on a COD basis.

An Eastern manufacturer of fabricated wood and metal parts for airplanes on December 31, 1940, had current assets of \$370,000, current liabilities of \$405,000, a deficit in net working capital of \$35,000 and a tangible net worth of \$90,000. The liabilities were more than four times as large as the tangible net worth, an unusually ex-

tended condition. On the face of this balance sheet it was obvious that current creditors were well out on a limb and that no new suppliers would sell the account. Although the financial end of the business had perhaps been disastrously handled, the manufacturing end had kept right up with the times. Its products were dependable, widely used, and in growing demand. Unfilled orders from airplane and other parts manufacturers working on defense contracts were substantial.

The company could obtain no direct cash advance from the Federal Government because it was not a prime contractor. As its business came from quite a number of accounts, negotiations to obtain its proportionate share

of advances from prime contractors looked like an impossible task. At any rate, such negotiations would have consumed valuable time, and time actually meant life or death to this concern.

These problems were finally discussed comprehensively with the lending officer of its local depository bank. The orders on hand were from well-known reliable customers. The banker now agreed to extend a liberal line of credit on assigned receivables. With these funds available, the prospective creditors that had held up shipments of essential raw material because of the weak credit risk, now proceeded to fill all orders on a COD basis. Every one was as happy as a retailer without price restrictions. The necessary raw ma-



BANKERS TRUST COMPANY

NEW YORK

CONDENSED STATEMENT OF CONDITION ON DECEMBER 31, 1941

ASSETS

Cash and Due from Banks	\$454,167,611.16
U. S. Government Securities	585,614,943.10
Loans and Bills Discounted	318,846,790.22
State and Municipal Securities	51,996,573.35
Stock of Federal Reserve Bank	2,250,000.00
Other Securities and Investments	55,313,419.42
Real Estate Mortgages	2,425,630.80
Banking Premises	16,483,848.60
Accrued Interest and Accounts Receivable	3,996,377.67
Customers' Liability on Acceptances	1,414,258.54
	<u>\$1,492,509,452.86</u>

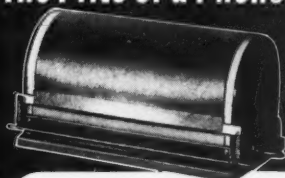
LIABILITIES

Capital	\$25,000,000.00
Surplus	50,000,000.00
Undivided Profits	36,203,466.30
Dividend Payable January 2, 1942	1,250,000.00
Deposits	1,375,481,862.64
Accrued Taxes, Interest, etc.	1,928,663.44
Acceptances Outstanding \$	1,886,365.26
Less Amount in Portfolio	460,320.05
Other Liabilities	1,219,415.27
	<u>\$1,492,509,452.86</u>

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 9, 1941. Assets carried at \$179,028,733.58 have been deposited to secure deposits and for other purposes.

Member of the Federal Deposit Insurance Corporation

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PHOTO COPIES for
The Price of a Phone Call**



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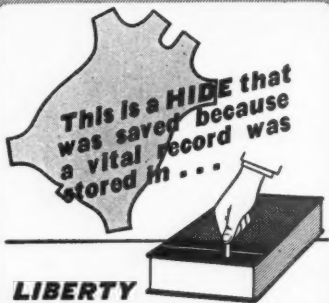
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was saved because
a vital record was
stored in . . .**

**LIBERTY
PERMANENT STORAGE BINDERS**

No Foolin'—many a hide has been saved by being able to produce the proper record quickly and in good condition—for the boss—or for the boss in court.

Liberty Binders, made in 20 standard sizes, are astoundingly simple and economical. Two telescoping, self-locking posts bind your records between Masonite Presswood covers. Simply stack records over posts, press studs with thumb, and BING—the job is done. No tools needed—AND we'll bet you that you can't pull them apart. Records are safe—forever.

FREE Sample

Just pin this ad to your letterhead together with one of your loose-leaf forms and mail today. We'll send you a FREE Sample and full information.



Manufactured by a concern that's been
right up there on top now for over 23 years

BANKERS BOX COMPANY

536 South Clark St. Chicago, Ill.

terials, however, would never have been obtained if the mercantile suppliers had not been convinced by the new line of credit set up by the local banker that they would be promptly paid.

It has been and is no unusual occurrence for a seller whose standard selling terms are net 30 days, to grant special terms of 60, 90, and even 150 days to old, reliable, but financially extended customers that are unable to obtain adequate bank credit and for some reason have obtained no advances from the Federal Government. There is no tacit understanding that credit must be extended by the industrial producer of raw material to a manufacturer of war supplies or equipment when examination indicates the credit risk is unsound. That continues to be a matter of individual judgment and prerogative in a democracy that will accept only a world consecrated to the four freedoms—"freedom of speech and expression, freedom of every person to worship God in his own way, freedom from want, freedom from fear."

Five Important Points

Financial statements of concerns engaged wholly, or for the most part in the production of war equipment and supplies, and particularly of those in highly specialized lines, usually show heavy liabilities. Such situations cannot be interpreted strictly in accordance with standards of analysis applicable under normal conditions. In arriving at a conclusion regarding the stability of such risks, favorable operating and performance records over a period of years may offset what in more normal conditions might be considered an unbalanced financial position. In the case of concerns producing war products, information on the following five points is particularly desirable.

1. A segregation of net sales to Government agencies from other net sales, or in the case of sub-contractors, sub-suppliers, sub-manufacturers, or sub-builders, a segregation of net sales to primary contractors on defense and war orders from other net sales.
2. A segregation of Government receivables from other receivables, or in the case of sub-contractors, sub-suppliers, sub-manufacturers, or sub-builders, a segregation of primary contractor receivables on defense and war orders from other receivables.

**SPEEDING
up the
COLLECTION
CYCLE**

*with special attention
to past due accounts*

In a period when operating expenses and taxes place a severe strain on working capital, can you afford to have your money tied up in slow-paying accounts when it should be working for you?

The Mercantile Claims Division of DUN & BRADSTREET can help you to speed up the return of laggard dollars with a reliable collection formula which has the benefit of years of experience of collection specialists. Prompt action is suggested in the placing of accounts for collection; delays cut into your earned profits and at times may endanger your invested capital.

Write to the nearest
office of

Mercantile Claims Division
DUN & BRADSTREET, Inc.

3. The amount and the nature of unfilled defense and war contracts on hand on the statement date.

4. A description of all arrangements in effect to finance necessary plant expansion, and increased defense and war production.

5. A clear understanding of the extent of management familiarity with the products to be produced, of the skill and knowledge of the labor, and of the necessary equipment to fulfill specific requirements of army and navy contracts.

Concerns Working on Non-war Products—Two situations are affecting those manufacturers that have obtained no defense or war contracts. In the first situation is the typical manufacturer whose operations have been materially reduced because the available supply of his primary raw material has been substantially cut by priorities, such as manufacturers of aluminum cooking utensils, metal furniture and equipment, washing machines, electric ranges, refrigerators, vacuum cleaners, and electric ironers. Increasing numbers of small business enterprises unable to obtain sufficient quantities of raw materials and no war orders as primary contractors or as sub-contractors, are gradually locking their front door, liquidating their liabilities, laying off employees, and quietly, or not so quietly, going out of business.

In the second situation is the manufacturer able to obtain sufficient quantities of all raw materials except one vital ingredient, such as a manufacturer of varnish with no synthetic resins, plumbers who have difficulty in obtaining one-half inch brass pipe, manufacturers of upholstered furniture that need metal springs, or manufacturers of laundry supplies that are being restricted in their purchases of chlorine.

Here is a vital problem of inventory unbalance which has been expanding in recent months and which will become more fundamental as our war economy continues to intensify. To analyze these situations the credit manager of a prospective mercantile creditor must become increasingly familiar with the operating problems of customers, problems which will continue to become more acute as greater proportions of vital raw materials go into the production of war supplies and equipment.

Manufacturers of certain types of

GOOD BUSINESS NEWS



RETIRED... with thanks

THREE YEARS ago, the Sennett Products Co.* was carrying a \$167,000 burden in the shape of an R. F. C. loan from Uncle Sam.

The loan had been negotiated, and thankfully accepted at the time, because the company's banking connections made the problem of financing difficult. Extension of credit was invariably accompanied by arbitrary restrictions that hurt. The R. F. C. loan even with its inflexible limitations, provided a more generous arrangement.

As of December 31st, 1938, the balance sheet showed:

NET WORTH	\$527,703.00
WORKING CAPITAL	45,113.00
GROSS SALES	566,118.00
LOSS	15,342.00

Then the Sennett Company discovered another route to financial freedom... Open Account Financing. From some source... an accountant, a Commercial Credit advertisement... or another user of Commercial Credit Open Account Financing, they learned things that sounded promising. They wrote to have a representative call. The upshot was that on January 1st, 1939, they started cashing their receivables with Commercial Credit Company.

See what happened in the next two and a half years. Figures tell the story.

	Dec. 31, 1940	June 30, 1941
NET WORTH	\$ 511,560.00	\$ 829,432.00
WORKING CAPITAL	57,379.00	281,385.00
GROSS SALES (12 mos.)	1,335,111.00	(6 mos.) 1,112,852.00
NET PROFIT (12 mos.)	139,853.00	(6 mos.) 331,872.00

Meanwhile, the \$167,000 R. F. C. loan has been completely paid off. The company now has no liabilities other than current.

* * * *

Of all the difficulties that complicate business today, the problem of financing can be most easily disposed of. Instead of trying to arrange bank loans or other external credits, let your own assets, receivables and inventory, provide the cash you need. Write for a copy of the booklet, "The Case of The Preferred Purchaser." Address Commercial Credit Company, Dept. 1500.

*A fictitious name, but the facts and figures, taken from our files, can be verified.

COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES PORTLAND, ORE.

CAPITAL AND SURPLUS MORE THAN \$60,000,000

THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York

Condensed Statement of Condition as of December 31, 1941

(In Dollars)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers.....	\$ 985,161,064	
United States Government Obligations (Direct or Fully Guaranteed).....	1,137,543,527	
Obligations of Other Federal Agencies.....	45,756,272	
State and Municipal Securities.....	164,997,544	
Other Securities.....	66,145,598	
Loans, Discounts and Bankers' Acceptances.....	618,810,573	
Real Estate Loans and Securities.....	6,320,682	
Customers' Liability for Acceptances.....	6,376,694	
Stock in Federal Reserve Bank.....	4,290,000	
Ownership of International Banking Corporation.....	7,000,000	
Bank Premises.....	39,522,843	
Other Real Estate.....	1,607	
Other Assets.....	934,178	
Total.....	\$3,082,860,582	

LIABILITIES

Deposits.....	\$2,878,821,222	
Liability on Acceptances and Bills.....	\$13,092,737	
Less: Own Acceptances in Portfolio.....	4,495,723	8,597,014
Items in Transit with Branches.....		8,131,542
Reserves for:		
Unearned Discount and Other Unearned Income.....		3,843,790
Interest, Taxes, Other Accrued Expenses, etc.....		7,475,921
Dividend.....		3,100,000
Capital.....	\$77,500,000	
Surplus.....	77,500,000	
Undivided Profits.....	17,891,093	172,891,093
Total.....	\$3,082,860,582	

Figures of Foreign Branches are as of December 23, 1941, except Hong Kong, Shanghai, Tientsin, Peiping, Tokyo and Rangoon, which are as of November 25, 1941.

\$190,851,507 of United States Government Obligations and \$13,222,360 of other assets are deposited to secure \$176,658,678 of Public and Trust Deposits and for other purposes required or permitted by law.

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plastic compounds, for example, use formaldehyde extensively in the base. As formaldehyde is made from methanol, its production is limited not only by existing plant capacity but also by the amount of available methanol. The existing plant capacity to produce methanol has been reduced by the necessity of turning over part of these facilities to produce greatly needed increased quantities of ammonia. Because of this reduction in available methanol, decreasing quantities of formaldehyde are being made available to manufacturers of plastic compounds. As a result, the output of various types of plastic compounds has likewise been reduced.

An increasing proportion of the current production of plastic compounds is being delivered to molders with priority ratings. The compound remaining after shipments to concerns working on defense orders, either as prime contractors or sub-contractors, represents only a portion of the normal needs of molders not operating on defense products.

In this situation, a manufacturer of plastic compound may (1) stop selling all molders without priority ratings except those in the best financial condition, or (2) pro-rate available supplies to all customers without priority ratings except those in very poor financial condition. It is his responsibility to determine in some way which old customers will obtain some of the essential raw material to keep in existence, and in that determination the financial soundness based on thorough knowledge and analysis must play a logical part.

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